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**DNANUDGE LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2019**

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**DNANUDGE LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	C Toumazou M Karvela
<b>Registered number</b>	09705888
<b>Registered office</b>	Level 11, The Translation And Innovation Hub Imperial College White City Campus London England W12 0BZ
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 3140 Rowan Place John Smith Drive Oxford Business Park South Oxford Oxfordshire OX4 2WB

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**DNANUDGE LIMITED**

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**DNANUDGE LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JULY 2019**

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The directors present their report and the financial statements for the year ended 31 July 2019.

**Principal activity**

The principal activity of DNAnudge Limited is the research and development of a direct to consumer genetic service aimed to nudge users towards a healthier lifestyle and better choices.

**Results**

The loss for the year, after taxation, amounted to £8,480,313 (2018: loss £5,633,894).

**Directors**

The directors who served during the year were:

C Toumazou  
M Karvela

**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**DNANUDGE LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2019**

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**Going concern**

In assessing whether going concern is appropriate, the directors have taken into account all available information about the future including the profits and cash forecasts prepared up to December 2020 and the director's ability to affect costs and revenues. Subsequent to year end the company has raised a further £2.2m in loan funding from an existing shareholder, the first tranche of £1m received in December 2019.

DnaNudge offers a range of new disruptive and innovative products, and the directors acknowledge that there are risk factors associated with the launch of such products. No current data exists for the company to accurately predict or gauge the level of sales. The directors also acknowledge the present volatility of the retail market in the UK. There are regular reviews of actual and forecasted sales and there are contingency plans in place to ensure that the company has adequate resources to continue in operational existence for the foreseeable future and to ensure sufficient funding is in place to support the company's strategy. Sales activity and trends are monitored carefully and the company can respond quickly to emerging trends. The directors are therefore of the opinion that the preparation of the financial statements on the going concern is appropriate.

**Disclosure of information to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Events after the reporting period**

Subsequent to year end the company has opened a store in Covent Gardens on the 4th November 2019 and has started to generate revenue.

The directors are not aware of any other significant events affecting the company since year end and up to the date of this report.

**Auditor**

Under section 487 (2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing of the accounts with the registrar, whichever is earlier.

**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:

C Toumazou  
Director



Date: 13/12/19



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNANUDGE LIMITED

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### Opinion

We have audited the financial statements of DNAnudge Limited (the 'company') for the year ended 31 July 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNANUDGE LIMITED (CONTINUED)**

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**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

**Opinions 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.

**Matter on which we are required to report under the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNANUDGE LIMITED (CONTINUED)

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**Responsibilities of directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement on page 1, 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 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 company or to cease operations, or have no realistic alternative but to do so.

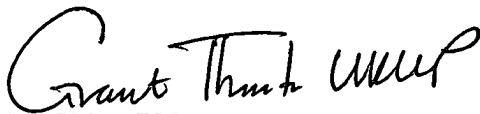
**Auditor's responsibilities for the audit of the financial statements**

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 Auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 company's members, as a body, 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 company's members those matters we are required to state to them in an Auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Bishop FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford

Date: 13 DECEMBER 2019



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**DNANUDGE LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JULY 2019**

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	Note	2019 £	2018 £
Administrative expenses		(9,650,404)	(6,819,231)
<b>Operating loss</b>	4	<u>(9,650,404)</u>	<u>(6,819,231)</u>
Interest receivable and similar income		57,363	4,621
Interest payable and expenses		(3,769)	(2,008)
<b>Loss before tax</b>		<u>(9,596,810)</u>	<u>(6,816,618)</u>
Tax on loss	8	1,116,497	1,182,724
<b>Loss for the financial year</b>		<u><u>(8,480,313)</u></u>	<u><u>(5,633,894)</u></u>

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 9 to 23 form part of these financial statements.

**DNANUDGE LIMITED**  
**REGISTERED NUMBER:09705888**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	9	313,079	145,828
Tangible assets	10	369,956	122,487
		<u>683,035</u>	<u>268,315</u>
<b>Current assets</b>			
Inventory		102,667	-
Debtors: amounts falling due within one year	11	2,669,166	2,238,528
Cash at bank and in hand	12	10,057,769	11,165,053
		<u>12,829,602</u>	<u>13,403,581</u>
Creditors: amounts falling due within one year	13	(3,643,032)	(1,259,552)
<b>Net current assets</b>		<u>9,186,570</u>	<u>12,144,029</u>
<b>Total assets less current liabilities</b>		<u>9,869,605</u>	<u>12,412,344</u>
Creditors: amounts falling due after more than one year	14	(250,841)	-
<b>Net assets</b>		<u><u>9,618,764</u></u>	<u><u>12,412,344</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	155	149
Share premium account	17	27,004,572	21,504,058
Other reserves	17	290,979	104,766
Profit and loss account	17	(17,676,942)	(9,196,629)
		<u>9,618,764</u>	<u>12,412,344</u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

C Toumazou  
 Director

Date:

13/12/19

The notes on pages 9 to 23 form part of these financial statements.

DNANUDGE LIMITED

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2019**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 August 2018	149	21,504,058	104,766	(9,196,629)	12,412,344
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(8,480,313)	(8,480,313)
<b>Total comprehensive income for the year</b>	-	-	-	(8,480,313)	(8,480,313)
Shares issued during the year	6	5,500,514	-	-	5,500,520
Share options to be issued	-	-	186,213	-	186,213
<b>Total transactions with owners</b>	6	5,500,514	186,213	-	5,686,733
<b>At 31 July 2019</b>	<b>155</b>	<b>27,004,572</b>	<b>290,979</b>	<b>(17,676,942)</b>	<b>9,618,764</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2018**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 August 2017	107	749,993	-	(3,562,735)	(2,812,635)
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(5,633,894)	(5,633,894)
<b>Total comprehensive income for the year</b>	-	-	-	(5,633,894)	(5,633,894)
Shares issued during the year	42	20,754,065	-	-	20,754,107
Share options to be issued	-	-	104,766	-	104,766
<b>Total transactions with owners</b>	42	20,754,065	104,766	-	20,858,873
<b>At 31 July 2018</b>	<b>149</b>	<b>21,504,058</b>	<b>104,766</b>	<b>(9,196,629)</b>	<b>12,412,344</b>

The notes on pages 9 to 23 form part of these financial statements.

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**DNANUDGE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**1. General information**

DNAudge Limited is a private company limited by shares incorporated in England and Wales. Its year end is 31 July 2019. Its registered office is Level 11, The Translation And Innovation Hub, Imperial College White City Campus, London, England, W12 0BZ.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£), which is the functional currency of the company.

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

The following principal accounting policies have been applied:

**2.2 Going concern**

In accessing whether going concern is appropriate, the directors have taken into account all available information about the future including the profits and cash forecasts prepared up to December 2020 and the director's ability to affect costs and revenues. Subsequent to year end the company has raised a further £2.2m in loan funding from an existing shareholder, the first tranche of £1m received in December 2019.

DnaNudge offers a range of new disruptive and innovative products, and the directors acknowledge that there are risk factors associated with the launch of such products. No current data exists for the company to accurately predict or gauge the level of sales. The directors also acknowledge the present volatility of the retail market in the UK. There are regular reviews of actual and forecasted sales and there are contingency plans in place to ensure that the company has adequate resources to continue in operational existence for the foreseeable future and to ensure sufficient funding is in place to support the company's strategy. Sales activity and trends are monitored carefully and the company can respond quickly to emerging trends. The directors are therefore of the opinion that the preparation of the financial statements on the going concern is appropriate.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019

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**2. Accounting policies (continued)**

**2.3 Foreign currency translation**

**Functional and presentation currency**

The company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**2.4 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.5 Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**2.6 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.7 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019

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2. Accounting policies (continued)

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019

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2. Accounting policies (continued)

2.11 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.12 Intangible assets

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

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Patents	-	10% straight-line
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2.13 Tangible fixed assets

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

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

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**DNANUDGE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**2. Accounting policies (continued)**

**2.13 Tangible fixed assets (continued)**

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

Depreciation is provided on the following basis:

Plant and machinery	- 50% straight-line
Office furniture	- 33.3% straight-line
Office equipment	- 33.3% straight-line
Computer equipment	- 33.3% straight-line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.14 Inventory**

Inventory is 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. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventory is 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 Debtors**

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

**2.16 Cash and cash equivalents**

Cash includes cash in hand and deposits held in financial institutions available without penalty within 24 hours notice. Cash equivalents are highly liquid investments that mature in no more than three months from date of requisition and that are readily convertible to known amounts of cash with significant risk of change in value.

**2.17 Creditors**

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019

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2. Accounting policies (continued)

2.18 Financial instruments

The company mainly enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

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**DNANUDGE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amount presented in the financial statements and related disclosures. Management is required to exercise its judgement in selecting and applying the entity's accounting policies. Management makes use of estimates and associated assumptions, which are based on historical experience and other factors that are considered to be relevant. Actual results in the future would differ from these estimates, which may be material to the financial statements.

Management did not make estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year. The judgements that management have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts in the financial statements are:

**Capitalisation of development costs**

Management applies its judgements in determining when a project reaches the end of its research phase and enters its development phase. This is based on market research undertaken, assessment of the economic viability of the product and ability to bring the product to a point of being sold to the public.

**4. Operating loss**

The operating loss is stated after charging:

	2019	2018
	£	£
Amortisation	24,835	16,620
Depreciation	151,865	11,682
Research & development	4,913,107	5,002,012
Operating lease rentals	418,069	107,042
	<u>418,069</u>	<u>107,042</u>

**5. Auditor's remuneration**

	2019	2018
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	25,000	22,000
	<u>25,000</u>	<u>22,000</u>

**Fees payable to the company's auditor and its associate:**

Tax compliance services	3,650	3,500
Other services relating to tax	12,470	3,200
Preparation of financial statements	1,400	1,300
	<u>17,520</u>	<u>8,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. Employees**

	2019	2018
	£	£
Wages and salaries	1,855,821	804,434
Social security costs	201,886	83,063
Cost of defined contribution scheme	95,876	33,490
	<u>2,153,583</u>	<u>920,987</u>

The company operates an auto-enrolment scheme as a defined contribution pension scheme for the benefit of employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments are recognised as an expense during the year was £95,876 (2018: £33,490).

The average number of employees of the company during year was 13 (2018: 13).

**7. Directors' remuneration**

Remuneration in respect of directors was as follows:

	2019	2018
	£	£
Wages and Salaries	383,063	207,305
Social security costs	52,692	25,294
Pension cost	-	3,901
	<u>435,755</u>	<u>236,500</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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8. Taxation

	2019	2018
	£	£
<b>Corporation tax</b>		
Current tax on profits for the year	(1,061,185)	(1,147,756)
Adjustments in respect of previous periods	(55,312)	(34,968)
	(1,116,497)	(1,182,724)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£	£
Loss on ordinary activities before tax	(9,596,810)	(6,816,618)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,823,394)	(1,295,157)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	16,638	(1,463)
Additional deductions for R&D	(785,945)	(837,429)
Surrender of tax losses for R&D tax credit	329,334	350,907
Adjustments to tax charge in respect of prior periods	(55,312)	(34,968)
Adjustment to tax rate	130,492	100,094
Deferred tax not recognised	1,071,690	535,292
<b>Total tax charge for the year</b>	(1,116,497)	(1,182,724)

The company has estimated trading losses of £10,928,749 (2018: £3,812,176) available for carry forward against future trading profits which are subject to agreement with HMRC.

The company has a potential deferred tax asset of £1,916,110 (2018: £850,796). The deferred tax asset has not been recognized on the grounds of uncertainty with regard to recoverability.

**Factors that may affect future tax charges**

During the year, the UK corporation tax rate was decreased. Following Budget 2018 announcements, there will be a further reduction in the main corporation tax to 17% from 1 April 2020.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019

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9. Intangible assets

	Patents £
<b>Cost</b>	
At 1 August 2018	166,214
Additions	192,086
<hr/>	
At 31 July 2019	<hr/> <u>358,300</u>
 <b>Amortisation</b>	
At 1 August 2018	20,386
Charge for the year	24,835
<hr/>	
At 31 July 2019	<hr/> <u>45,221</u>
 <b>Net book value</b>	
At 31 July 2019	<hr/> <u>313,079</u>
 <i>At 31 July 2018</i>	<hr/> <u>145,828</u>

Amortisation of intangible assets is included in administrative expenses.

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NOTES TO THE FINANCIAL STATEMENTS  
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10. Tangible fixed assets

	Plant and machinery £	Office equipment £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 August 2018	-	18,651	100,366	19,297	138,314
Additions	43,227	25,047	269,365	61,695	399,334
At 31 July 2019	43,227	43,698	369,731	80,992	537,648
<b>Depreciation</b>					
At 1 August 2018	-	5,590	4,093	6,144	15,827
Charge for the year on owned assets	3,990	13,120	118,278	16,477	151,865
At 31 July 2019	3,990	18,710	122,371	22,621	167,692
<b>Net book value</b>					
At 31 July 2019	39,237	24,988	247,360	58,371	369,956
At 31 July 2018	-	13,061	96,273	13,153	122,487

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**11. Debtors**

	2019	2018
	£	£
VAT	278,512	208,712
Unpaid share capital	103	103
Prepayments and deposits	143,475	28,290
Tax recoverable	2,247,076	2,001,423
	<u>2,669,166</u>	<u>2,238,528</u>

**12. Cash and cash equivalents**

	2019	2018
	£	£
Cash at bank and in hand	<u>10,057,769</u>	<u>11,165,053</u>

**13. Creditors: Amounts falling due within one year**

	2019	2018
	£	£
Trade creditors	1,422,612	1,064,754
Loan from related party	1,000,000	-
Proceeds in advance of shares issued	1,003,850	-
Other creditors	13,155	823
Accruals	203,415	193,975
	<u>3,643,032</u>	<u>1,259,552</u>

The loan from related party is unsecured, interest free and repayable by 30 September 2019 through issue of company shares at a conversion price of £100,000 per share.

**14. Creditors: Amounts falling due after more than one year**

	2019	2018
	£	£
Lease straight-line accrual	<u>250,841</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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15. Financial instruments

	2019 £	2018 £
<b>Financial assets</b>		
Cash in hand and deposited with bank	10,057,769	11,165,053
Other receivables	103	103
	10,057,872	11,165,156
 <b>Financial liabilities</b>		
Trade creditors	1,422,612	1,064,754
Loan from related party	1,000,000	-
Proceeds in advance of shares issued	1,003,850	-
Other creditors	13,155	823
Accruals	203,415	193,975
	3,643,032	1,259,552

Financial assets that are measured at amortised cost are made up of, cash and unpaid share capital. Financial Liabilities that are measured at amortised cost are made up of trade creditors, loans, proceeds for shares not yet issued, other creditors and accruals.

16. Share capital

A Ordinary shares of £0.001 each

	2019 £	2018 £
Authorised allotted, called up not paid	100	100
Authorised allotted, called up and fully paid	49	7
Shares issued during the year nominal value £0.001 fully paid	6	39
Shares issued during the year nominal value £0.001 not paid	-	3
<b>Total shares in issue</b>	<b>155</b>	<b>149</b>

There is only one category of shares issued.



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**17. Reserves**

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

Share premium consists of proceeds received in addition to the nominal value of the shares issued.

Profit and loss account includes all current and prior period profits and losses.

**Other reserves**

This refers to the cumulative amount of the fair value of the share options that are expected to vest.

**18. Share based payments**

The company operated both an Enterprise Management Incentive Share Option Scheme ("EMI Scheme") and an Unapproved Share Option Scheme ("Unapproved Scheme") during the year. The company has granted options over £0.001 Ordinary Shares to employees of the company under both the EMI Scheme and the Unapproved Scheme. EMI Options cannot be vested for the first three years. Options issued under both schemes expire 10 years from the date of grant. Options lapse after three months when the option holder ceases employment with the Company.

Total shares granted during the year	2019	2018
	-	4977
Shares outstanding at the end of the year	4,677	4,977
Option pricing model used		<i>Black-scholes</i>
Weighted average share price (£)		465.60
Exercise price (£)		395.76
Expected volatility		1.74%
Risk-free interest rate		1.60%

**19. Contingent liabilities**

The company had no contingent liabilities as at 31 July 2019 or at 31 July 2018.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Capital commitments**

At 31 July 2019 the company had capital commitments as follows:

	2019 £	2018 £
Contracted for but not provided in these financial statements	-	214,772

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**21. Commitments under operating leases**

At 31 July 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Less than 1 year	418,069	418,069
More than 1 year and not later than 5 years	2,090,344	2,090,344
More than 5 years	1,254,206	1,672,275
	<u>3,762,619</u>	<u>4,180,688</u>

The company has recognised lease payments during the year of £418,069 (2018: £107,042).

**22. Related party transactions**

The following related party transactions took place during the year.

The company has paid employees that are close relatives of directors £55,011 during the year (2018: £52,744). There is no amount outstanding at the year end (2018: £Nil).

The company has received a loan of £1,000,000 during the year from a shareholder, TS Global Ltd (2018: £Nil). It has generated an interest payable of £Nil (2018: £Nil). The total amount owed at the year end is £1,000,000 (2018: £Nil).

**23. Controlling party**

The company is controlled by C. Toumazou by virtue of his shareholding.