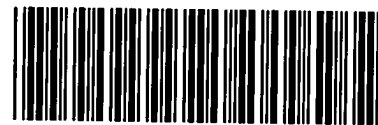


**REGISTERED NUMBER: 10271134 (England and Wales)**

**TROPIC BIOSCIENCES UK LIMITED  
ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2023**

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## TROPIC BIOSCIENCES UK LIMITED

### COMPANY INFORMATION

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**Directors**

E Vigodman  
Dr D K Lawrence  
Q Li  
B Beldegrun  
N Manzoni  
Dr E Maori  
GM Gershon

**Secretary**

J M Rowles

**Company number**

10271134

**Registered office**

Norwich Research Park Innovation Centre  
Colney Lane  
Colney  
Norwich  
NR4 7GJ  
England

**Auditor**

PricewaterhouseCooper LLP  
The Maurice Wilkes Building  
St. John's Innovation Park  
Cowley Road  
Cambridge  
CB4 0DS

**TROPIC BIOSCIENCES UK LIMITED**

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**TROPIC BIOSCIENCES UK LIMITED**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present the Strategic Report for the year ended 31 December 2023.

**Business review**

As stated in the Directors' Report, the principal activity of Tropic Biosciences UK Limited ("the Company") is the research, development and commercialisation of high-performing commercial varieties of tropical crops. The key factor determining the success of the Company is its research and development of its proprietary plant and technology products. The Company is dedicated to the development of healthier, more robust, high performing varieties of tropical crops with a vision to becoming a world leading technology forward seeds business.

The Company, that was founded in 2016, developed the GEiGS™ technology platform originally to support the development of banana varieties that would be resistant to fungal diseases such as Panama Disease (TR4). GEiGS™ can use universal gene editing tools such as CRISPR, to minimally edit the host's non-coding genes and precisely redirect their silencing activity (RNAi) towards any desired target or gene family.

GEiGS™ does not depend on the introduction of foreign genes into the host genome, and therefore the approach will be considered as non-GMO in multiple regions. Recognising these technologies' wider potential beyond tropical crops allows the Company to make GEiGS™ commercially available to select companies in other sectors. The Company has entered into licensing agreements with multiple leading global agribusinesses enabling them to use the GEiGS™ platform to develop disease resistance, quality and welfare traits across crop, livestock, and aquaculture species.

The research and development carried out by the Company is further focused on the development of high performing commercial varieties of tropical crops, as well as on the development of enabling technologies to support such efforts. The management team and the Company's directors are of the opinion that a robust research and development team is essential to generate and maintain a competitive advantage in the agricultural biotechnology sector and continue to dedicate resources to improve and expand the effort.

To support this the Company has invested in its people and additional space this year as outlined below.

**Principal risks and uncertainties**

The Agricultural Technology industry is highly regulated and appropriate regulatory approvals have to be granted. The Company currently undertakes most of its research and development in tropical crops as the Company identified that the market for tropical crops was less saturated, high in growth and as the population grows the need for these tropical staples was essential. The recent substantial increase in prices for these crops was also another reason why the Company wanted to invest further research in these crops so that these stable products will be more available for all.

The Gene Editing technologies deployed by the Company allow farmers to produce more food and less waste and to manage increased crop disease pressure brought on by climate change without the need for increasing and unsustainable pesticide use. Consumers also benefit from better produce produced in a healthier way. These clear benefits that impact both the growers and consumers, offer a very attractive rationale for investment in research and development. Further, the Company's innovation is expected to support the environmental footprint of its target crop sectors, by reducing unnecessary waste and consequent CO2e emissions, by reducing the use of agrichemicals, and by improving farmer economics.

**TROPIC BIOSCIENCES UK LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Company also collaborates with commercial and university partners in other areas of research and development that are not the Company's key focus. The directors are confident that the risks faced by the Company are adequately managed. The main risks facing the Company are:

**Environmental risks**

Uncertainties that could impact on the Company are unknown diseases which have not been found and can affect tropical crops.

**Economic and Financial risks**

Energy and freight costs together with the rising cost of inflation continue to put pressure on keeping costs under control. The Company budgeted for this increase and monitors these expenses on a monthly basis.

**Financial risk management**

The principal financial risks to which the Company are exposed are discussed below.

- **Currency risks**

The Company raises funds in US Dollar and pays for goods and services in a variety of currencies, mainly pound sterling and US Dollar. The Company mitigates the risk by holding cash in a variety of currencies and by monitoring the fluctuations in the USD/GBP rates, taking advantage of favorable market conditions.

- **Liquidity risks**

The Company manages its cash and borrowing requirements whilst generating interest income and minimising interest expense. Management monitors rolling forecasts of the Company's cash and cash equivalents on the basis of expected cash flows with the objective of ensuring that the Company has sufficient cash to meet all its future obligations. At 31 December 2023 the Company has net cash of £17,266,076 (31 December 2022: £18,449,733).

- **Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

**Competition risks**

There is risk that new entrants could enter the market and reduce future profit potential for the Company. To reduce this risk the Company has patented GEIGS™ technology and remains firmly focused on its commercial goals.

**Supply Chain risks**

The Company has a procurement system in place to ensure that product levels are monitored and remain at a consistent level. Initially the Company identified key consumables that were most exposed to any potential supply chain issue based on price, competition, lead time and quality. These key consumables are managed through a preferred supplier list to help ensure the Company can benefit from stable prices and economies of scale.

The risk is further reduced by setting up standing orders with companies and putting in place contracts with suppliers which are most critical to our operations. This ensures our supply remains stable and as per the agreed terms of the contract.

## **TROPIC BIOSCIENCES UK LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **Regulatory and Compliance risks**

The Company uses a variety of resources to reduce the regulatory risks it faces to ensure the regulations are adhered to. The Company is required to appoint a Biological Safety Officer (BSO), conduct, and review regular risk assessments, appoint a Biological Safety Council, and hold biological safety council review sessions. To reduce the risks further the Company has a dedicated quality team who will also regularly assess and monitor the regulatory risks. The quality team uses external consultations on a regular basis for advice and maintenance of standards. We also work with an experienced international organisation to help with our different geographical regulatory submission and approval requirements.

The Company is required to follow the HSE GMO Contained Regulations 2014 and has plant phytosanitary requirements from Alpha and Defra to adhere to.

Some of the risks are mitigated by being fully audited members of the Excellence through Stewardship, which promotes best practices and quality management in agricultural biotechnology. This recent recognition is a success for the Company.

#### **Product Pipeline**

There is a risk that anticipated income from the GEIGS™ technology could be delayed. The Company has established clear goals to ensure the transition to a commercial Company is successful. The Company has invested in people and created new roles to facilitate this.

#### **Government risks**

There is a risk that the Government could reduce the scope or revoke the R&D tax credit scheme that the Company currently benefits from. This is regularly monitored so that any changes can be managed.

#### **Key performance indicators**

The main financial KPIs are revenue and cost tracking versus budget, whilst the main non-financial KPI's are our headcount development and progress tracking in regard to completion of Company strategic milestones. Costs are tracked continuously over time (full monthly closing) to be able to identify any deviations early.

The directors consider the results for the year ended 31 December 2023 as expected and in line with budget expectations. The Company utilised 77% of its annual budget in 2023 (2022: 92%) with 57% (2022: 58%) being spent on research and development expenses. The remainder of the costs were spent on selling, general and administrative expenses.

The Company's loss for the year, after taxation, amounted to £14.8m (2022: £10.6m). The net liabilities of the Company total £8.4m (2022 net assets: £6.0m).

The Company has seen further growth in 2023 which is evidenced by increasing the average research and development headcount by another 10% (2022: 37%) and floorspace by 10% (2022: 70%). This has allowed the Company to ensure it has enough resources to remain competitive in its field. The Company believes in diversity, in that bringing in people with different backgrounds allows for further growth and success. By the end of 2023 the Company had a team which was composed of 31 different nationalities (2022: 19 nationalities).

**TROPIC BIOSCIENCES UK LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Section 172(1) Companies Act 2006**

The directors confirm that they have acted in good faith in the way they consider what would be most likely to promote the success of the Company for the benefit of its members. In doing so they have considered, among other matters, those set out in section 172(1) (a) to (f) of the Companies Act 2006: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company. This statement applies equally to the directors individually and when acting collectively as the board.

In discharging their duties in relation to section 172 (1), careful consideration is given to the matters set out above. The stakeholders we consider in this regard are primarily employees, suppliers and customers, the communities we operate in, the wider world and environment.

Engagement with our shareholders and all stakeholders is of fundamental importance across the business and the directors are focused on building these relationships on a continuous basis.

**Communities**

We are committed to creating sustainable, long-term opportunities in our communities in addition to aiming to become an employer of choice, by providing innovation, passion, respect, leading by example, striving for excellence and building trust, along with a benchmarked market package for our employees. During 2023, the Company employees also provided approximately 780 hours of volunteering activities to local charities as part of "Tropic in the Community".

**Environment**

We take the impact on the environment very seriously, having set up an Environmental, Social and Governance (ESG) impact committee in 2022 with external members who are well known in the space of ESG. We strive to increase our positive contribution to society and minimize the negative effects of our business activities. In 2023 the Company also delivered its inaugural ESG strategy to key stakeholders.

**Engagement with employees**

Our employees are critical to the success of our business, we strive for timely and effective communication with all employees across the Company, and we are all about the power of people. This means working together and putting humans at the heart of our process to get the best results. We encourage two-way participation from all personnel, and contributions are published in a monthly newsletter to all employees.

**SIGNED AND APPROVED ON BEHALF OF THE BOARD:**

DocuSigned by:  
*Gilad Gershon*  
EDF80022E9634F4...  
G M Gershon - Director

Date: 5/31/2024

**TROPIC BIOSCIENCES UK LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their annual report and audited financial statements for the year ended 31 December 2023.

**Principal activities**

The principal activity of the Company is the research, development and commercialisation of high-performing novel varieties of tropical crops, primarily within the banana, rice and coffee sectors.

**Results and dividends**

The results for the year are set out within the Strategic Report, and a business review is included within the Strategic Report on page 1.

**DIVIDENDS**

No dividends will be recommended, or paid, for the year ended 31 December 2023.

**DIRECTORS**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

E Vigodman  
D K Lawrence  
Q Li  
N Manzoni  
B Beldegrun  
E Maori  
G M Gershon

## TROPIC BIOSCIENCES UK LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### Qualifying third party indemnity provisions

As permitted by the Companies Act 2006, the Company has indemnified the directors and officers in respect of proceedings which may be brought by third parties and such indemnification was in place throughout the year and at the date of approval of these financial statements. Neither the Company's indemnity nor insurance provides cover if a director or officer is proved to have acted fraudulently or dishonestly.

#### Political donations

The Company has made political donations of £nil (2022: £nil)

#### Financial risk management

The Company has detailed areas of risk within the Strategic Report of the financial statements.

#### Research and development

To support the Company in the development of its proprietary plant and technology products, the average number of staff employed by the Company on research and development has increased from 103 to 113 (2022: 75 to 103). The research and development carried out by the team is further focused on the development of high performing commercial varieties of tropical crops, as well as on the development of enabling technologies to support such efforts. The management team and the Company's directors are under the opinion that a robust research and development team is essential to generate and maintain a competitive advantage in the agricultural biotechnology sector and continue to dedicate resources to improve and expand the effort.

#### Employee involvement

Employee involvement and consultation is managed in several ways by the business. This includes holding weekly team briefings by line managers and regular updates by Company directors; this continues to be an important basis for ensuring good internal communications. These arrangements continue to promote a common awareness amongst employees of the financial and economic factors affecting the performance of business. This is supplemented by a monthly newsletter to all employees.

#### Post reporting date events

On 29 January 2024 Tropic Biosciences (SG) PTE. LTD was established in Singapore as a wholly owned subsidiary of Tropic Biosciences UK Limited.

#### Future developments

The Company's management team and directors aim to maintain and further support the policies which have resulted in the Company's substantial growth in recent years. They consider that the next year will show further advancement across multiple fronts, namely:

- The demonstration of the Company's novel gene edited plants under field conditions with select partners in multiple countries.
- The continued commercialisation of the Company's proprietary GEiGS™ technology platform, supporting additional short and mid-term revenue streams.
- Further expansion of the Company's team and capabilities, with an emphasis on bolstering the Company's functional capabilities to support the expected launch of its new commercial products.
- Expansion of R&D capabilities into the recently established Singapore subsidiary.

In 2023 the Company created a new set of 3-year company goals which will focus on preparations for the commercialisation of products. These new goals were approved and signed off by the board

**TROPIC BIOSCIENCES UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

of directors in April 2023, allowing the Company to set a number of strategic milestones to align these to the company goals.

**Statement of disclosure to auditor**

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

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

**Going Concern**

These financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In reaching these conclusions, the Company has considered its existing resources (including its cash reserves, investments and awarded and yet undrawn grant funding) and expected cash inflows (including from revenue streams and R&D tax credit claims), which together are comfortably in excess of its planned expenditure over a period of at least twelve months from the date of approval of the financial statements.

Accordingly, the directors have a reasonable expectation that the Company will continue in operational existence and thus they adopt the going concern basis of accounting in preparing the financial statements.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

**INDEPENDENT AUDITORS**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

**SIGNED AND APPROVED ON BEHALF OF THE BOARD:**

DocuSigned by:  
  
EDF80022E9634F4...  
G M Gershon - Director

Date: 5/31/2024

**TROPIC BIOSCIENCES UK LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

**TROPIC BIOSCIENCES UK LIMITED**

# Independent auditors' report to the members of Tropic Biosciences UK Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Tropic Biosciences UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2023; the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

## **TROPIC BIOSCIENCES UK LIMITED**

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

## TROPIC BIOSCIENCES UK LIMITED

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls); and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- inquiries with management around any actual or potential litigation and claims, including known or suspected instances of non-compliance with laws and regulations and fraud;
- inspecting minutes of meetings of the board of directors and associated sub-committees;
- verifying financial statement disclosures and agreeing to supporting documentation to assess that disclosures are in compliance with applicable laws and regulations;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- challenging the assumptions made by management in their significant accounting estimates, in particular in relation to complex financial instruments and the fair value measurement of share-based payment options;
- designing audit procedures to incorporate an element of unpredictability around the nature, timing and extent of our testing procedures; and
- evaluating management's controls designed to prevent and detect irregularities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
31 May 2024

**TROPIC BIOSCIENCES UK LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 £	2022 £
Turnover	5	730,095	665,124
Cost of sales		<u>(424,498)</u>	<u>(226,924)</u>
<b>Gross profit</b>		305,597	438,200
Operating expenses		(14,134,157)	(10,789,515)
Other operating income		<u>380,666</u>	<u>751,808</u>
<b>Operating loss</b>	8	(13,447,894)	(9,599,507)
Interest receivable and similar income	10	538,422	298,508
Other gains and losses	11	<u>(3,100,339)</u>	<u>(2,342,882)</u>
<b>Loss before taxation</b>		(16,009,811)	(11,643,881)
Tax on loss	12	<u>1,229,076</u>	<u>1,073,028</u>
<b>Loss for the financial year</b>		<u><u>(14,780,735)</u></u>	<u><u>(10,570,853)</u></u>

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes pages 16 to 43 form part of these financial statements.

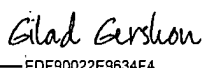
**TROPIC BIOSCIENCES UK LIMITED****BALANCE SHEET  
AS AT 31 DECEMBER 2023**

	Notes	2023		2022	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13		62,135		40,056
Tangible assets	14		1,036,075		1,025,341
Investments	15		1,734,578		808,323
			<u>2,832,788</u>		<u>1,873,720</u>
<b>Current assets</b>					
Debtors	16	2,230,477		2,480,331	
Investments	17	10,475,441		20,762,410	
Cash at bank and in hand		17,266,076		18,449,733	
			<u>29,971,994</u>	<u>41,692,474</u>	
<b>Creditors:</b>					
Amounts falling due within one year	18	(33,122,314)		(874,665)	
<b>Net current assets</b>			<u>(3,150,320)</u>		<u>40,817,809</u>
<b>Total assets less current liabilities</b>			<u>(317,532)</u>		<u>42,691,529</u>
<b>Creditors:</b>					
Amounts falling due after more than one year	19		(8,036,472)		(36,647,224)
<b>Net (liabilities)/assets</b>			<u>(8,354,004)</u>		<u>6,044,305</u>
<b>Capital and reserves</b>					
Called up share capital	21		744,285		719,681
Share premium account			12,838,061		12,646,059
Other reserves			437,715		271,895
Profit and loss reserves			(22,374,065)		(7,593,330)
<b>Shareholders' (deficit)/funds</b>			<u>(8,354,004)</u>		<u>6,044,305</u>

The notes on pages 16 to 43 are an integral part of these financial statements.

The financial statements on pages 12 to 43 were approved by the Board of Directors and authorised for issue on.....May 31, 2024..... and were signed on its behalf by:

DocuSigned by:

 May 31, 2024  
EDF90022E9634F4...  
G M Gershon  
Director

**TROPIC BIOSCIENCES UK LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital	Share Premium account	Other reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£
<b>Balance at 1 January 2022</b>	719,219	12,635,519	226,146	2,977,523	16,558,407
<b>Changes in equity</b>					
Credit to credit for equity settled share-based payments 7	-	-	45,749	-	45,749
Issue of share capital 21	462	10,540	-	-	11,002
Loss and total comprehensive income for the year	-	-	-	(10,570,853)	(10,570,853)
<b>Balance at 31 December 2022</b>	<u>719,681</u>	<u>12,646,059</u>	<u>271,895</u>	<u>(7,593,330)</u>	<u>6,044,305</u>
<b>Year ended 31 December 2023</b>					
<b>Changes in equity</b>					
Credit to credit for equity settled share-based payments 7	-	-	165,820	-	165,820
Issue of share capital 21	24,604	192,002	-	-	216,606
Loss and total comprehensive income for the year	-	-	-	(14,780,735)	(14,780,735)
<b>Balance at 31 December 2023</b>	<u>744,285</u>	<u>12,838,061</u>	<u>437,715</u>	<u>(22,374,065)</u>	<u>(8,354,004)</u>

The notes on pages 16 to 43 are an integral part of these financial statements.

**TROPIC BIOSCIENCES UK LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 £	2022 £
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	23	(13,160,778)	(7,998,069)
Income taxes refunded		1,389,075	1,551,716
<b>Net cash used in operating activities</b>		<u>(11,771,703)</u>	<u>(6,446,353)</u>
<b>Investing activities</b>			
Purchase of intangible fixed assets		(22,079)	(76,138)
Purchase of tangible fixed assets		(413,753)	(622,650)
Proceeds on disposal of tangible fixed assets		-	33,593
Short-term deposits made		(10,475,441)	(20,762,410)
Maturity of short term deposits		20,762,410	5,556,668
Loans granted to associates / trade investments		(734,831)	(477,677)
Interest on bank deposits		503,591	284,841
<b>Net cash from / (used in) investing activities</b>		<u>9,619,897</u>	<u>(16,063,773)</u>
<b>Financing activities</b>			
Proceeds from issue of shares		216,606	11,002
Issue of convertible loan notes		1,643,670	34,265,207
<b>Net cash from financing activities</b>		<u>1,860,276</u>	<u>34,276,209</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(291,530)	11,766,083
Cash and cash equivalents at beginning of year		18,449,733	7,634,222
Effect of foreign exchange rates		(892,127)	(950,572)
<b>Cash and cash equivalents at end of year</b>		<u><u>17,266,076</u></u>	<u><u>18,449,733</u></u>

The notes on pages 16 to 43 are an integral part of these financial statements.

## TROPIC BIOSCIENCES UK LIMITED

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

#### 1. Company information

Tropic Biosciences UK Limited (the "Company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Norwich Research Park Innovation Centre, Colney Lane, Colney, Norwich, England, NR4 7GJ.

The Company's principal activities and nature of its operations are disclosed in the Directors' Report.

#### 2. Statement of compliance

These financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 and the requirements of the Companies Act 2006.

The financial statements are prepared in pound sterling, which is the functional and presentational 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, as modified by the recognition of certain financial assets and liabilities measured at fair value.

#### 3. Accounting policies

##### Basis of preparation

The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

##### Going Concern

These financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In reaching these conclusions, the Company has considered its existing resources (including its cash reserves, investments and awarded and yet undrawn grant funding) and expected cash inflows (including from revenue streams and R&D tax credit claims), which together are comfortably in excess of its planned expenditure over a period of at least twelve months from the date of approval of the financial statements.

Accordingly, the directors have a reasonable expectation that the Company will continue in operational existence and thus they adopt the going concern basis of accounting in preparing the financial statements.

**TROPIC BIOSCIENCES UK LIMITED**

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

**3. Accounting policies - continued**

**Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

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

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

**Turnover from licence fees**

Where the Company grants a licence and has no ongoing obligations in respect of that licence, revenues are recognised on granting of the licence.

Where the Company grants exclusivity to a customer, this income is deferred and recognised over the period of the exclusivity, which is normally in 12 months tranches.

**Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Software (LIMS)	33% Straight line
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At the year end the intangible asset was not being amortised whilst it was in development to bring it into use.

**Tangible fixed assets**

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

Depreciation is recognised within the statement of comprehensive income 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	25% Straight line
Laboratory and office equipment	20% - 25% Straight line
Computer equipment	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 credited or charged to profit or loss.

## TROPIC BIOSCIENCES UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. Accounting policies - continued

##### **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.

Government grants relating to expenditure are recognised as income over the years when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

During the year the Company received £201,855 (2022: £564,073) in grant income, most of this income was received from Innovate UK which is related to R&D innovation work, and is recognised within other operating income in the statement of comprehensive income. The Company has also benefited from the government R&D Tax relief scheme.

##### **Financial instruments**

The Company 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 when the Company becomes party to the contractual provisions of the instrument.

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

##### **Basic financial assets**

Basic financial assets, which include trade and other debtors, cash and bank balances and short term investments, 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Other financial assets**

Other financial assets, including amounts owed by associate, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except those investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment. Certain equity instruments, specifically loans to the Company's associate (which became a trade investment in 2023), do not meet the definition of basic financial instruments. On initial recognition in 2022, such amounts owed by associates were valued at the present value of future receipts, and discounted as such - with the difference between the amount initially recognised and the cash paid recognised as an investment (see note 15). At the year end 2023 two of the loans have then been subsequently converted to equity and are now classified as investments. The treatment and recognition through profit and loss follows the classification of such amounts as complex financial instruments as a result of certain terms relating to contingent settlement. For further details regarding such amounts please refer to note 16.

**TROPIC BIOSCIENCES UK LIMITED**

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

**3. Accounting policies - continued**

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

**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 Company after deducting all of its liabilities.

**Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**Other financial liabilities**

Debt instruments, including convertible loan notes, where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

**Derecognition of financial liabilities**

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

**TROPIC BIOSCIENCES UK LIMITED**

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

**3. Accounting policies - continued**

**Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets primarily represent the Company's claims under the Research and Development (R&D) tax relief for small & medium sized entities.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable loss for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different years from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

**TROPIC BIOSCIENCES UK LIMITED**

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

**3. Accounting policies - continued**

**Operating leases: the company as lessee**

Rentals payable under operating leases, including any lease incentives received, are charged in the statement of comprehensive income 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 leases asset are consumed.

**Retirement benefits**

The Company operates 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/ (loss) when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**Employee benefits**

The Company operates a number of annual bonus plans for employees. An expense is recognised in the statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

**Cash and cash equivalents**

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

**Current asset investments**

Other current asset investments relate to deposits with financial institutions with original maturities of greater than 3 months (but not greater than 12 months) and hence are disclosed separately from cash and cash equivalents.

**TROPIC BIOSCIENCES UK LIMITED**

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

**3. Accounting policies - continued**

**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 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.

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.

**Share capital**

Shares are classified as equity as they represent the residual interest in the Company's assets after deducting all its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Other reserves**

Other reserves consist of a share-based payment reserve which includes credits relating to equity settled share-based payments and a reserve which includes debits relating to share capital issued for non-cash consideration. Where cash or other resources are received before equity instruments are issued, the Company recognises the corresponding increase in equity to the extent of consideration received as shares to be issued.

**Share premium account**

The share premium reserve represents the difference between the consideration received for shares issued above their nominal value.

**TROPIC BIOSCIENCES UK LIMITED**

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

**3. Accounting policies - continued**

**Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the Company has significant influence. The Company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Company has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

**Impairment of fixed assets**

At each reporting year end date, the Company reviews the carrying amounts of its tangible and intangible 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.

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.

**TROPIC BIOSCIENCES UK LIMITED**

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

**4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company'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 critical judgements made by management in these financial statements are as below:

**Impairment of investment**

Management deem the investment in Laverock not to be impaired at the year end. This is because Laverock Therapeutics Limited (Laverock) has been incorporated as a separate company in order to allow a focus on the application of the GEiGS™ technology within human therapeutics. An intellectual property agreement was signed giving Laverock an exclusive right to make use of the technology for this purpose, which has the potential for application in global markets such as type 1 diabetes and cancer treatment. During 2023 Laverock had a successful funding round raising just over £10m of new funds, alongside conversion of loans, in September 2023. Management have made the judgement that there is no indication that the business plan of Laverock will fail.

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. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of liabilities within the next financial year are addressed below.

**Fair value measurement of convertible loan notes**

Convertible loan notes (CLNs) have been classified as "complex" financial instruments, and as such are required to be accounted for at fair value through profit and loss. This has been assessed as a significant estimate due to the complexity of the calculation and the uncertainty involved.

As there is no observable market price for the CLNs, an alternative valuation methodology was used in order to measure these CLNs at fair value as at 31 December 2023. As such, management has created a valuation model which includes a number of significant inputs and assumptions. These include:

- likelihood of conversion events (see note 19 of the financial statements for probabilities assigned to each conversion event)
- expected share price at maturity of each CLN (a calculation which used the Black Scholes Model). The following assumptions were used in the Black Scholes model:

- (i) Expected volatility- 62%
- (ii) Risk free interest rate - 1.3%-3.3%
- (iii) Share price at grant - \$11.80

- date for qualified financing (anticipated to be September 2024)  
- discount rate - 7.09%-14.97%, assumed to be equal to the internal rate of return of each individual CLN. Changes to these assumptions could affect the reported fair value of the CLNs.

**TROPIC BIOSCIENCES UK LIMITED**

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

**4. Critical accounting judgements and key sources of estimation uncertainty - continued**

There are no significant estimates, being those with a reasonable possibility of material amendment to the carrying value of the assets and liabilities over the next twelve months. Other estimates include:

**Fair value measurement of Share based payments**

As there is no observable market price for the share options, an alternative valuation methodology has to be used.

The Company operates equity based payment schemes as part of the remuneration package for employees. During 2023 the Company introduced the Growth Share Scheme, known as the G Share, alongside the existing EMI Scheme as an incentive for senior management to grow the business. Where a Company has a complex capital structure an option pricing method would be used for a valuation method.

The valuation method for the Growth shares involves a two-step approach outlined below:

- 1 Use an OPM (option pricing method) backsolve model to imply the equity value of the Company as a whole (pre-issue of the Growth Shares), based on the CLN fundraising in 2022 and 2023; and
- 2 Use a Black Scholes model to estimate the fair value of the G shares as a standalone share class at the Grant date. (refer to note 7 of the financial statements)

The OPM backsolve allocates the proceeds to each class of share in each step, including in factoring in conversion. The approach reflects the fact that the G shares were not in issue at the point the CLN fundraising and based on management information it is the most recent external valuation benchmark for the Company. Therefore, it has been considered to be appropriate in determining the fair value of the G shares at Grant Date. There are a number of assumptions that are used in the model which are included below:

- a. Expected volatility- 58%
- b. Risk free interest rate – 3.6%
- c. Maturity – 2 to 3 years based on business sector

The cost of providing share-based payments is charged to the Statement of Comprehensive Income over the vesting period of the awards. The cost for the year is based on the fair value of awards at the date of grant of the award using an appropriate valuation model.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****5. Turnover**

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
<b>Turnover analysed by geographical market</b>		
United States of America	385,594	477,624
Europe (including United Kingdom)	225,001	175,000
Asia	119,500	12,500
	<u>730,095</u>	<u>665,124</u>

All turnover is derived from the rendering of services.

**6. Employees and directors**

The average monthly number of persons (including directors) employed by the Company during the year was: 142 (2022: 126).

	2023 Number	2022 Number
Research and Development	113	103
Central	10	11
Administrative	9	8
Operations	10	4
Total	<u>142</u>	<u>126</u>

Their aggregate remuneration comprised:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Wages and salaries	6,414,401	5,101,889
Share-based payments	165,820	45,749
Social security costs	689,039	554,741
Other pension costs	261,623	114,250
	<u>7,530,883</u>	<u>5,816,629</u>

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****6. Employees and directors – continued****Director Emoluments**

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Remuneration for qualifying services	271,160	354,637
Company pension contributions to defined contribution schemes	13,152	3,520
Sums paid to third parties for directors' services	33,018	45,889
	<u>317,330</u>	<u>404,046</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 2). During the year contributions of £13,152 (2022: £3,520) were made to the scheme.

During the year, there were no amounts paid to or receivable by directors under long term incentive schemes in respect of qualifying services (2022: £nil).

The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes were nil (2022: £nil).

No directors exercised share options during the year (2022: £nil).

No sums were paid by way of expenses allowance that are charged to UK income tax (2022: £nil).

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

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Remuneration for qualifying services	180,012	275,887
Company pension contributions to defined contribution schemes	8,608	1,761

In respect of the highest paid director; during the year, there were no amounts paid to or receivable by directors under long term incentive schemes in respect of qualifying services (2022: £nil).

The highest paid director did not exercise share options during the year (2022: £nil).

No sums were paid to the highest paid director by way of expenses allowance that are charged to UK income tax (2022: £nil).

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****7. Share-based payment transactions**

The Company operates equity based payment schemes as part of the remuneration package for consultants and employees in the form of share options schemes and share schemes. The Company introduced the Growth Share scheme in 2023 alongside the EMI scheme that was previously operating.

The options will vest provided the consultant/employee remains appointed by the Company during the vesting period and provided the contingent vesting condition is met. The contingent vesting condition is expected to be met in the financial year ending 31 December 2026. Management will re-estimate the date at the end of each reporting year end. In the prior year the Company estimated the conditions to be met in the financial year ending 31 December 2025, however on review in the financial year ending 31 December 2023 the Company estimated the date to be 31 December 2026.

**EMI Scheme**

A reconciliation of the share option movements over the year to 31 December 2023 is shown below:

	Number of share options		Weighted average exercise price	
	Number	Number	£	£
Outstanding at 1 January 2023 / 2022	1,264,191	1,307,844	2.09	2.16
Granted	-	9,494	-	7.43
Forfeited	(15,579)	(48,713)	6.29	5.01
Exercised	(146,045)	(4,434)	1.84	3.00
	<u>1,102,567</u>	<u>1,264,191</u>	<u>2.06</u>	<u>2.09</u>
Outstanding at 31 December 2023 / 2022	<u>1,102,567</u>	<u>1,264,191</u>	<u>2.06</u>	<u>2.09</u>
Exercisable at 31 December 2023 / 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Under the share scheme, NIL (2022: 9,494) shares were granted during the year. During the year 15,579 (2022: 48,713) shares were forfeited.

**Liabilities and expenses**

During the year, the Company recognised total share-based payment expenses for the EMI Scheme of £66,592 (2022: £45,749) which related to equity settled share-based payment transactions.

The charge relating to the options expected to vest is being recognised over the year to vesting, which, to the extent vesting is contingent on an exit event, is re-estimated at each year end, and the cumulative charge adjusted accordingly.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****7. Share-based payment transactions – continued****Growth Share Scheme**

During 2023 the company introduced a new Growth Share Scheme. A reconciliation of the share option movements over the year to 31 December 2023 is shown below:

	Number of share options		Weighted exercise price average	
	Number	Number	£	£
Outstanding at 1 January 2023 / 2022	-	-	-	-
Granted	226,521	-	2.00	-
Outstanding at 31 December 2023 / 2022	<u>226,521</u>	<u>-</u>	<u>2.00</u>	<u>-</u>
Exercisable at 31 December 2023 / 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Under the share scheme 226,521 (2022: nil), shares were granted during the year. During the year nil (2022: nil) shares were forfeited.

**Liabilities and expenses**

During the year, the Company recognised total share-based payment expenses for the Growth Share Scheme of £99,228 (2022: £nil) which related to equity settled share-based payment transactions.

The charge relating to the options expected to vest is being recognised over the year to vesting, which, to the extent vesting is contingent on an exit event, is re-estimated at each year end, and the cumulative charge adjusted accordingly.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****8. Operating loss**

The operating loss is stated after charging:

	<b>2023</b>	<b>2022</b>
	£	£
Operating lease charges	372,469	319,808
Depreciation of owned tangible fixed assets	392,511	287,781
Loss on disposal of tangible fixed assets	10,508	6,682
Share-based payments	165,820	45,749
Impairment of intangible assets	-	120,168
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	7,321	5,378
Research and development costs	<u>2,500,510</u>	<u>1,834,192</u>

**9. Auditors' remuneration**

	<b>2023</b>	<b>2022</b>
	£	£
Fees payable to the Company's auditors for the audit of the company's financial statements	<u>88,330</u>	<u>68,770</u>
Total audit fees	<u><u>88,330</u></u>	<u><u>68,770</u></u>

For other services

	<b>2023</b>	<b>2022</b>
	£	£
Tax advisory services	<u>17,500</u>	<u>8,250</u>

The directors have agreed with the Company's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the Company's financial statements for the year to 31 December 2023 should be limited to the greater of £5 million or 5 times the auditor's fees, and that in any event the auditor's liability for damages should be limited to that part of any loss suffered by the Company as is just and equitable having regard to the extent to which the auditor, the Company and any third parties are responsible for the loss in question. The shareholders waived the need for approval of this limited liability agreement, as required by the Companies Act 2006, by a resolution dated 12 January 2024.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****10. Interest receivable and similar income**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest on bank deposits	503,591	284,841
Interest receivable from investments	34,831	13,667
	<u>538,422</u>	<u>298,508</u>

**11. Other gains and losses**

	<b>Year ended 31 December 2023</b>	<b>Year ended 31 December 2022</b>
	<b>£</b>	<b>£</b>
Fair value gains/(losses) on financial instruments		
Change in the value of financial assets held at fair value through profit or loss	(39,391)	39,135
Change in the value of financial liabilities held at fair value through profit or loss	(3,060,948)	(2,382,017)
	<u>(3,100,339)</u>	<u>(2,342,882)</u>

## TROPIC BIOSCIENCES UK LIMITED

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

## 12. Tax on loss

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
<b>Current tax</b>		
UK corporation tax on losses for the current period	(1,356,038)	(1,507,113)
Adjustments in respect of prior periods	126,962	434,085
<b>Total current tax</b>	<u>(1,229,076)</u>	<u>(1,073,028)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	284,087
Losses and other deductions	-	(284,087)
<b>Total deferred tax</b>	-	-
<b>Total tax credit</b>	<u>(1,229,076)</u>	<u>(1,073,028)</u>

**Reconciliation of tax charge**

Tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2023 of 19% (2022: 19%). The differences are explained below:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Loss before taxation	<u>(16,009,811)</u>	<u>(11,643,881)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%)	(3,765,595)	(2,212,337)
Effects of:		
Expenses that are not deductible for tax purposes	101,323	459,304
Adjustments in respect of prior periods	126,962	434,085
Research and development tax credit	(1,343,104)	(1,498,746)
Other permanent differences	(35,653)	(1,570)
Additional deduction for R&D expenditure	(1,388,128)	(1,116,213)
Deferred tax not recognised	2,209,255	1,125,491
Remeasurement of deferred tax for changes in tax rates	(130,740)	(270,118)
Fixed asset differences	1,195	(36,161)
Hybrid and other mismatches adjustment	176,221	68,400
Surrender of tax losses for R&D tax credit refund	2,819,188	1,974,837
<b>Taxation credit for the year</b>	<u>(1,229,076)</u>	<u>(1,073,028)</u>

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****12. Tax on loss - continued**

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%.

At the Spring Budget 2023, the UK Government announced that qualifying Research and Development (R&D) intensive small and medium-sized enterprises (SMEs) would receive additional tax relief from 1 April 2023. Companies claiming the existing SME tax relief will be eligible for a higher payable credit rate of 14.5% if they meet the definition of an R&D intensive company, instead of the 10% credit rate for non-intensive companies. Whilst the Company qualifies as R&D intensive, the previously enacted R&D tax credit rate of 10% was used in the R&D tax calculation for the year as the Finance Bill 2023-2024 was only substantively enacted on 5 February 2024. The enactment of the higher rate will lead to an additional tax credit which will be recognised in the 2024 financial statements.

**13. Intangible fixed assets**

	<b>Software (LIMS) £</b>
<b>Cost</b>	
At 1 January 2023	160,224
Additions	22,079
	<hr/>
As at 31 December 2023	182,303
	<hr/>
<b>Amortisation and impairment</b>	
As at 31 December 2022	120,168
	<hr/>
As at 31 December 2023	120,168
	<hr/>
<b>Net book value</b>	
As at 31 December 2023	62,135
	<hr/> <hr/>
As at 31 December 2022	40,056
	<hr/> <hr/>

During 2022 the asset was assessed for impairment and this impairment loss has been recognised in the statement of comprehensive income. The project was not completed as expected in terms of both time frame and outcome. The Company have subsequently brought in external consultants who verified management's understanding that the work could not be finished in its current form. Management have agreed an impairment of 75% as the belief is that the remaining 25% can be utilised from some of the coding and work flows already produced to date.

In 2023 a review of the project has been undertaken. Two new vendors were picked, and due diligence has been performed and a vendor has been selected to carry out the project. Using some of the existing work which has been built, which was agreed at 25% in 2022. This percentage still stands and the data and build will be used to help support the new project which gets under way in 2024.

The Company confirms that in 2023 no further impairment of any type of asset is required.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****14. Tangible fixed assets**

	Leasehold Improvements £	Labratory equipment £	Office equipment £	Computer equipment £	Totals £
<b>Cost</b>					
At 1 January 2023	90,619	1,136,520	190,663	155,568	1,573,370
Additions	32,875	306,442	27,382	47,054	413,753
Disposals	-	(9,621)	-	(887)	(10,508)
At 31 December 2023	<u>123,494</u>	<u>1,433,341</u>	<u>218,045</u>	<u>201,735</u>	<u>1,976,615</u>
<b>Depreciation</b>					
At 1 January 2023	17,897	415,105	34,778	80,249	548,029
Charge for year	28,453	278,126	40,980	44,952	392,511
At 31 December 2023	<u>46,350</u>	<u>693,231</u>	<u>75,758</u>	<u>125,201</u>	<u>940,540</u>
<b>Net book value</b>					
At 31 December 2023	<u><u>77,144</u></u>	<u><u>740,110</u></u>	<u><u>142,287</u></u>	<u><u>76,534</u></u>	<u><u>1,036,075</u></u>
At 31 December 2022	<u><u>72,722</u></u>	<u><u>721,415</u></u>	<u><u>155,885</u></u>	<u><u>75,319</u></u>	<u><u>1,025,341</u></u>

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****15. Investments**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Investments	1,734,578	808,323

**Movements in investments**

	<b>Investments</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Year ended 31 December 2022:</b>		
<b>Cost</b>	4,000	4,000
At 1 January 2022	804,323	804,323
Capital contribution		
At 31 December 2022	808,323	808,323
<b>Carrying amount</b>		
At 31 December 2022	808,323	808,323
<b>Year ended 31 December 2023:</b>		
<b>Cost</b>		
At 1 January 2023	808,323	808,323
Conversion of short term loans	926,255	926,255
At 31 December 2023	1,734,578	1,734,578
<b>Carrying amount</b>		
At 31 December 2023	1,734,578	1,734,578

During 2022 the Company loaned £400,000 to Laverock Therapeutics Limited (formerly Skylark Therapeutics Limited) on a short-term loan, with final repayment date of 31 December 2025. On the 27th September 2023 the loan was converted with equity to a grossed up value of £425,560.

During 2022, the terms of the loan of the £600,000 were formalised, and the loan now has a maturity and final repayment date of 13 July 2051 with the carrying amount at the year end totalling £3,996.

During 2023 the Company loaned £700,000 to Laverock Therapeutics Limited and on the 27 September 2023 the loan was converted to equity to a grossed up value of £709,269.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****15. Investments - continued**

The loans have been classified as "complex" financial instruments, and as such are required to be accounted for at fair value through profit and loss at the year end. A loss of £39,391 (2022: £39,135) was recognised through the statement of comprehensive income) as a result of the change in the fair value of the loans since initial recognition. None of this change is attributable to changes in credit risk of the instrument. The key assumptions employed in estimating the fair value of the loans were the risk of loaning the money, with various models having been produced to assess the risk and where management has concluded and assigned a 20% discount factor for use. The conversion rights of both loans are shown in note 16.

**Investment**

On initial recognition in 2022, such amounts owed by associates were valued at the present value of future receipts, and discounted as such - with the difference between the amount initially recognised and the cash paid recognised as an associate. At year end 2023 two of the loans have been converted to equity as part of a funding round completed by Laverock Therapeutics Limited and therefore the Company's shareholding has reduced and the balances are now classified as an investment as at 31 December 2023.

Details of the Company's investment 31 December 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Laverock Therapeutics Limited (formerly Skylark Therapeutics Limited)	3 Victoria Place, Love Lane, Ramsey, England, S051 SOE	Human gene research	Ordinary	14.08

The Company holds 400,000 A Ordinary Shares at a par value of £0.01 (2022: £0.01) per share. The Company holds C shares 409,945, of which 165,202 converted at £2.57 per share, then 244,743 c shares converted at £2.89 per share.

**16. Debtors**

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	11,920	5,920
Other debtors	240,985	239,542
Corporation tax receivable	1,534,849	1,694,848
Prepayments and accrued income	438,727	305,210
	<u>2,226,481</u>	<u>2,245,520</u>
Amounts falling due after more than one year:		
Other debtor (2022: Amount due from associate)	3,996	234,811
	<u>2,230,477</u>	<u>2,480,331</u>
Total debtors		

**TROPIC BIOSCIENCES UK LIMITED**

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

**16. Debtors – continued**

The amount owed by investments is unsecured and interest free and are further outlined below.

During 2022 the Company entered into two loan agreements with the Company's associate, the £400,000 loan was then converted and is now classified as an investment in 2023. On initial recognition, the loans were considered at the present value of future receipts, and discounted as such, with the difference between the amount initially recognised and the cash paid recognised as an investment in associate in 2022 (see note 15).

The initial agreements are detailed below:

The first agreement was for funds up to £600,000 and is due for final repayment on 13 July 2051, or as soon as reasonably practical following an equity fundraising by the associate whereby an enterprise value in excess of £1 billion is achieved. This loan is interest free.

In respect to the loan of £600,000 the Company may, in its sole discretion, elect to convert part of or all of the principal amount of the loans into the class of shares and at the conversion price on completion of any equity fundraising, whether in a series of transactions or a single transaction, by Laverock Therapeutics Limited (formerly Skylark Therapeutics Limited) whereby they achieve an enterprise valuation in excess of £1 billion from third party investors prior to the Final Repayment Date (a "Funding Round"), into the same class of shares as are issued in the Funding Round (or at the option of the Company another class of shares which have the same economic rights as the shares issued in the Funding Round) and at an aggregate conversion price equal to the pre-money valuation in respect of the Funding Round.

At year end 2023 the remaining loan has then been subsequently re-measured as the discounting unwinds and with the loan carrying amount at the year end totaling £3,996.

The second agreement was for funds up to £400,000 and was due for final repayment on 31 December 2025 or as soon as reasonably practical following completion of a qualifying funding round. This agreement bore interest at 4% per annum. In respect to the loan of £400,000 Laverock Therapeutics Limited (formerly Skylark Therapeutics Limited) elected to convert the loan to equity earlier in the year (refer to note 15).

Details of the Company's exposure to risks arising from such amounts owed by remaining loans are set out below:

**Credit risk**

A new investment round completed by Laverock Therapeutics Limited (formerly Skylark Therapeutics Limited), as well as the technological advances being made give the directors confidence of the ultimate recoverability of the loan, and that such unsecured debtors will be recovered.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****17. Current asset investments**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Bank deposits with maturity more than 90 days	10,475,441	20,762,410
	<u>10,475,441</u>	<u>20,762,410</u>

**18. Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Trade creditors	267,165	264,762
Taxation and social security	202,994	150,517
Other creditors	6,879	19,505
Convertible loan notes	32,037,266	-
Accruals	548,843	380,713
Deferred income	59,167	59,168
	<u>33,122,314</u>	<u>874,665</u>

**19. Creditors: amounts falling due after more than one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Convertible loan notes	8,036,472	36,647,224
	<u>8,036,472</u>	<u>36,647,224</u>

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****19. Creditors: amounts falling due after more than one year - continued****Convertible loan notes**

	2023	2022
	£	£
Convertible loan notes total	<u>40,073,738</u>	<u>36,647,224</u>

During 2022 the Company entered into nine non-interest bearing, unsecured, convertible loan note agreements ("CLNs"), with total proceeds of \$42 million. Each agreement has a maturity date of 30 months after the date of the agreement. At the start of 2023 the Company entered into an additional CLN with proceeds of \$2million.

The CLNs will convert to shares of the Company at a conversion event. Conversion events are a "qualified financing" event, a "non-qualified financing" event, an exit or on maturity, in September 2024. Management has assigned probabilities of the conversion event occurring to qualified financing event (2023: 90%; 2022: 80% probability) and maturity (2023: 10%; 2022 20% probability) only, as the other scenarios are deemed to attract a very low probability. On a qualified financing event, the loan notes will convert to shares at a price per share equal to the lowest price paid by the investors on the qualified financing round after reducing the share price by a discount. In the case of maturity, the loan notes will convert to shares at a price per share which results from dividing \$148,474,414.50 by the number of shares comprised in the fully diluted share capital immediately prior to the maturity date.

The CLNs are held at fair value through profit or loss at the year end. A loss of £3,060,948 (2022: £2,382,017) was recognised through profit and loss as a result of the change in the fair value of the CLNs during the year. None of this change is attributable to changes in credit risk of the instrument. Details of the key assumptions employed in estimating the fair value of the CLNs are set out in note 4.

The CLNs carrying amount as at the year end is \$1,457,494 Converted to GBP £1,144,748 (2022: \$5,907,307, converted to GBP £4,906,809) lower than the estimated value of shares the Company would be contractually required to issue to settle the liability at maturity.

Details of the Company's exposure to risks arising from convertible loan notes are set out below:

**Liquidity risks**

Liquidity risk for the convertible loan notes is not relevant given the loan notes will convert to shares of the Company at a conversion event.

**Currency risks**

The loan notes were issued in US Dollar. The Company's shares are also denominated in US Dollar, reducing the exposure to currency risks.

**Credit risks**

The issued convertible loan notes issued have been paid for by the loan note holders.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****19. Creditors: amounts falling due after more than one year - continued****Conversion price risks**

On a qualifying financing event (2023: 90% probability, 2022: 80% probability) the number of shares that convert and are issued to the loan note holders is dependent on the lowest price paid by the investors on the qualified financing round. The price that will be paid by the investors is not yet known. On maturity (2023: 10% 2022: 20% probability) the number of shares that convert and are issued to the loan note holders results from dividing \$148,474,414.50 by the number of shares comprised in the fully diluted share capital immediately prior to the maturity date. The cost to the Company of this will be dependent on the valuation of the Company at the maturity date which is not yet known.

**20. Operating lease commitments****Lessee**

At 31 December the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	138,759	277,213
Between one and five years	104,898	205,834
	<u>243,657</u>	<u>483,047</u>

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****21. Called up share capital**

	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
<b>Ordinary Share Capital</b>				
Issued and fully paid				
Ordinary shares of \$0.125	2,915,294	2,772,507	298,368	273,764
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Preference share capital</b>	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Issued and fully paid				
Series A Preference shares of \$0.125 each	2,078,968	2,078,968	198,284	198,284
Series B Preference shares of \$0.125 each	2,460,437	2,460,437	247,633	247,633
Preference shares classified as equity	4,539,405	4,539,405	445,917	445,917
			<b>744,285</b>	<b>719,681</b>

On 14 February 2023, the Company allotted 60,000 Ordinary Shares at \$0.125 each with a total value of \$0.125 per share.

On 15 December 2023, the Company allotted 82,787 Ordinary Shares at \$0.125 each with a total value of \$3.00 per share.

On 27 November 2022, the Company allotted 4,434 Ordinary Shares at \$0.125 each with a total value of \$2.98 per share.

The holders of Ordinary shares, Series A Preference shares and Series B Preference shares shall, subject to applicable law, be entitled to receive dividends, as and when determined by the Company that there are available profits to distribute.

On distribution of assets upon liquidation or a return of capital, the surplus assets of the Company remaining after payment of its liabilities shall be distributed to shareholders in the following order of priority; Series B Preference Shares, Series A Preference Shares and Ordinary Shares.

**22. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £261,623 (2022: £114,250). Contributions totaling £1,521 (2022: £21,465) were due to the fund at the reporting date and are included in creditors.

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****23. Cash absorbed by operations**

	2023 £	2022 £
Loss for the financial year after tax	(14,780,735)	(10,570,853)
<b>Adjustments for:</b>		
Depreciation charges	392,511	287,781
Loss on disposal of tangible fixed assets	10,508	6,682
Gain on CLN movements	(10,232)	-
Equity settled share-based payment income	165,820	45,749
Amortisation and impairment of intangible assets	-	120,168
Foreign exchange gains on cash and cash equivalents	892,127	950,572
Other gains and losses	1,832,465	2,342,882
Loan interest not received	34,831	13,667
Investment income	(538,422)	(298,508)
Tax credited	(1,229,076)	(1,073,028)
	<u>(13,230,203)</u>	<u>(8,174,888)</u>
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	(140,960)	345,742
Increase/(decrease) in creditors	210,384	(156,424)
(Decrease)/increase in deferred income	1	(12,499)
	<u>(13,160,778)</u>	<u>(7,998,069)</u>

**24. Analysis of changes in net funds**

	1 January 2023 £	Cash flows £	Market Value movements £	Exchange rate Movements £	31 December 2023 £
Cash at bank and in hand	18,449,733	(291,530)	-	(892,127)	17,266,076
Short term investments	20,762,410	(10,286,969)	-	-	10,475,441
Convertible loan notes	(36,647,224)	(1,633,440)	(3,060,948)	1,267,874	(40,073,738)
	<u>2,564,919</u>	<u>(12,211,939)</u>	<u>(3,060,948)</u>	<u>375,747</u>	<u>(12,332,221)</u>

**TROPIC BIOSCIENCES UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023****25. Related party transactions****Remuneration of key management personnel**

The remuneration of key management personnel, who are not directors but are part of the key senior management team, is as follows:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Wages and salaries	607,463	468,236
Social security costs	79,859	64,469
Cost of defined contribution scheme	21,471	4,550
	<u>708,793</u>	<u>537,255</u>

**Other information**

The Company reimbursed £5,035 (2022: £5,743) to the Chairman of the Company.

The Company advanced a loan of £700,000 (2022: £400,000) to Laverock Therapeutics Limited while it was an associated undertaking. Details of the Company's transactions with Laverock Therapeutics Limited are given in note 15.

**26. Ultimate controlling party**

There is no ultimate controlling party of the Company