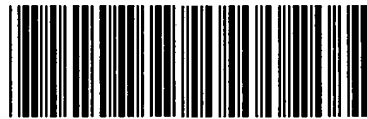


REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
FOR
BACTEST LIMITED
COMPANY NUMBER 04145482

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BACTEST LIMITED

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FOR THE YEAR ENDED 31 MARCH 2016

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BACTEST LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2016

DIRECTORS:

Anne Brooking
Derek Price
Andrew Taylor
Piers Clark
Michael Hurst
LCIF Representatives Ltd

REGISTERED OFFICE:

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

REGISTERED NUMBER:

04145482 (England and Wales)

AUDITORS:

BDO LLP
Mortlock House
Station Road
Histon
CB24 9NP

BACTEST LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report with the financial statements of the company for the year ended 31 March 2016.

RESULTS

The Profit & Loss account is set out on page 6 and shows the loss for the year.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of development and commercialisation of products for microbiological testing.

REVIEW OF BUSINESS

The company has continued the development of both new and existing products based on its technology platform, Cytomaia. Sales of the company's products, Speedy Breedy and Shepherd, grew in the year which contributed to an increase in turnover over last year. The key risks to the business are lack of product sales and the company not being able to raise sufficient funds to support the cost base. The company's KPI's are levels of product sales and cash.

The directors have secured additional equity finance to provide for working capital requirements associated with growing sales of Speedy Breedy and Shepherd. The company has closed £383k of equity funding post year end and has won a Horizon 2020 grant to fund a Shepherd R&D programme. The first cash payment of £677k in relation to the grant was received in November 2016. The company are planning a further equity funding round for Q1 2017.

DIRECTORS

Directors who served during the year were as follows:

Alan Barrell (resigned 31 December 2015)
Piers Clark (appointed 1 January 2016)
Anne Brooking
Derek Price
Andrew Taylor
Patrick Deane (resigned 13 July 2015)
Michael Hurst
LCIF Representative Ltd

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BACTEST LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's directors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'A Taylor', is written over a horizontal line.

Andrew Taylor - Director

Date: 22 December 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BACTEST LIMITED

We have audited the financial statements of Bactest Limited for the year ended 31 March 2016 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The directors have prepared detailed forecasts which include the need to attract additional funding to enable the company to have sufficient funds to operate for a period of at least 12 months beyond the date of approval of the financial statements. While there can be no guarantee that this funding round will be successful, given the support that the company has enjoyed in previous years, the directors are confident of being able to continue to attract the required investor interest and so they have prepared the financial statements on a going concern basis. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

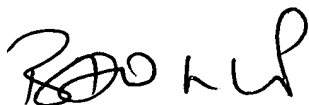
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BACTEST LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Gary Hanson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Cambridge
United Kingdom

Date 22 December 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BACTEST LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	31.3.16 £	31.3.15 £
TURNOVER		299,506	159,745
Cost of sales		<u>(119,266)</u>	<u>(68,005)</u>
GROSS PROFIT		180,240	91,740
Administrative expenses		<u>(1,117,502)</u>	<u>(1,038,229)</u>
		<u>(937,262)</u>	<u>(946,489)</u>
Other operating income		<u>-</u>	<u>133,401</u>
OPERATING LOSS	2	(937,262)	(813,088)
Interest receivable and similar income		982	86
Interest payable		<u>(4,144)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(940,424)	(813,002)
Tax credit on loss on ordinary activities	4	<u>6,657</u>	<u>37,450</u>
LOSS FOR THE FINANCIAL YEAR		<u>(933,767)</u>	<u>(775,552)</u>

All amounts relate to continuing activities.

There were no recognised gains or losses other than the loss for the year.

The notes on pages 8 to 13 form part of these financial statements

BACTEST LIMITED
Company No: 04145482
BALANCE SHEET
31 MARCH 2016

		31.3.16	31.3.15
	Notes	£	£
FIXED ASSETS			
Tangible assets	5	4,404	40,077
Investments	6	<u>1</u>	<u>1</u>
		4,405	40,078
CURRENT ASSETS			
Stock	7	109,214	39,277
Debtors	8	77,982	147,723
Cash at bank		<u>200,789</u>	<u>131,814</u>
		387,985	318,814
CREDITORS			
Amounts falling due within one year	9	<u>221,994</u>	<u>113,819</u>
NET CURRENT ASSETS		<u>165,991</u>	<u>204,995</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		170,396	245,073
Amounts falling due more than one year	10	<u>170,000</u>	-
NET ASSETS		<u>396</u>	<u>245,073</u>
CAPITAL AND RESERVES			
Called up share capital	11	772	656
Share premium	12	4,229,182	3,540,208
Profit and loss account	12	(4,229,558)	(3,295,791)
SHAREHOLDERS' FUNDS		<u>396</u>	<u>245,073</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved by the Board of Directors on 22 December 2016 and were signed on its behalf by:



Andrew Taylor - Director

The notes on pages 8 to 13 form part of these financial statements

BACTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2016**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis which assumes that the company will be able to continue in operational existence for the foreseeable future. The directors have prepared a business plan and cash flow forecast for the period to 31 March 2021. The forecast contains certain assumptions about the level of future sales and the level of gross margins and also identifies the need to secure additional finance to fund working capital.

Since the year-end £383k of additional funding has been received in the form of further equity investment, and the first cash payment of £677k in relation to the Horizon 2020 grant was received in November 2016. The company are planning a further equity funding round for Q1 2017. Potentially a second funding round to provide working capital to support sales growth may be required in mid/late 2017. Orders continue to be received for the company's products. The planned funding rounds will give the company sufficient funds to operate for a period of at least 12 months beyond the date of approval of the financial statements. While there can be no guarantee that these funding rounds will be successful, given the support that the company has enjoyed in previous years and the progress achieved in the development and sale of products, the directors are confident of being able to continue to attract the required investor interest so they have prepared the financial statement on a going concern basis. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statement does not include the adjustments that would result if the company were unable to continue as a going concern.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2015). Group accounts have not been prepared as the group is small and hence is not required to produce consolidated financial statements.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 25% on cost
Computer equipment	- 33% on cost

Leasing commitments

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

Deferred tax

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

- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met. Deferred tax balances are not discounted.

Government grants

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

BACTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the group starts to benefit from the expenditure.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a weighted average basis. Net realisable value is based on estimated selling price.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover is recognised when the risks and rewards of owning the goods have passed to the customer which is generally on delivery. Turnover on goods sold to intermediaries on a sale or return basis is recognised when the intermediary sells the goods to an end customer.

2. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	31.3.16	31.3.15
	£	£
Depreciation - owned assets	37,173	44,863
Research & Development	88,137	256,041
Auditors' remuneration	5,000	5,000
Grant income	-	(93,401)
Shell Springboard award	-	(40,000)
Operating lease rentals – property	<u>55,200</u>	<u>55,200</u>

3. DIRECTORS REMUNERATION

	31.3.15	31.3.15
	£	£
Directors remuneration	<u>150,000</u>	<u>150,000</u>

In addition consultancy payments to directors were made during the year totalling £45,986 (2015: £69,614).

Share option agreements are in place for one of the Company's directors and certain other employees as shown in note 15.

BACTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016

4. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	31.3.16	31.3.15
	£	£
Current tax:		
Research and development tax credit	6,657	37,450
	<hr/>	<hr/>
Tax credit on loss on ordinary activities	<u>6,657</u>	<u>37,450</u>

5. TANGIBLE FIXED ASSETS

	Plant and machinery £	Computer equipment	Totals £
COST			
At 1 April 2015	161,425	5,066	166,491
Additions	1,500	-	1,500
	<hr/>	<hr/>	<hr/>
At 31 March 2016	<u>162,925</u>	<u>5,066</u>	<u>167,991</u>
DEPRECIATION			
At 1 April 2015	123,797	2,617	126,414
Charge for year	35,768	1,405	37,173
	<hr/>	<hr/>	<hr/>
At 31 March 2016	<u>159,565</u>	<u>4,022</u>	<u>163,587</u>
NET BOOK VALUE			
At 31 March 2016	<u>3,360</u>	<u>1,044</u>	<u>4,404</u>
At 31 March 2015	<u>37,628</u>	<u>2,449</u>	<u>40,077</u>

BACTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 April 2015	
and 31 March 2016	<u>1</u>
NET BOOK VALUE	
At 31 March 2016	<u>1</u>
At 31 March 2016	<u>1</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Gemini Diagnostics Limited

Nature of business: Dormant company

	%		
Class of shares:	holding		
Ordinary	100.00		
		30.3.16	30.3.15
		£	£
Aggregate capital and reserves		<u>1</u>	<u>1</u>

7. STOCK

	31.3.16	31.3.15
	£	£
Finished goods	<u>109,214</u>	<u>39,277</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.16	31.3.15
	£	£
Trade debtors	32,652	75,558
Corporation tax	-	37,450
VAT	25,966	15,351
Prepayments	<u>19,364</u>	<u>19,364</u>
	<u>77,982</u>	<u>147,723</u>

BACTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.16	31.3.15
	£	£
Trade creditors	157,416	69,522
Other creditors	6,635	5,191
Social security and other taxes	14,364	17,739
Directors' current accounts	477	4,304
Accrued expenses	13,102	17,063
Loan (see note 10)	<u>30,000</u>	<u>-</u>
	<u>221,994</u>	<u>113,819</u>

10. CREDITORS: AMOUNTS FALLING DUE MORE THAN ONE YEAR

	31.3.16	31.3.15
	£	£
Loan	<u>170,000</u>	<u>-</u>
	<u>170,000</u>	<u>-</u>

The loan is for £200,000 and has a term of 60 months including a six-month capital repayment holiday. The interest rate is 7.0% above Barclays Base Rate. The loan is on commercial terms with a third party loan provider.

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.16	31.3.15
			£	£
42,571	Ordinary (31.3.15 – 40,315)	£0.01	426	403
34,596	A Ordinary (31.3.15 – 25,311)	£0.01	346	253
			<u>772</u>	<u>656</u>

During the year 2,256 Ordinary shares of £0.01 each were allotted at £0.01 per share and 9,285 A Ordinary shares of £0.01 each were allotted at £80.00 per share which gave rise to total consideration of £742,800. Share premium of £nil per share on the Ordinary shares and £79.99 per share on the A Ordinary shares arose from the share issue which totalled £742,707.

12. RESERVES

	Profit and loss account	Share premium	Totals
	£	£	£
At 1 April 2015	(3,295,791)	3,540,208	244,417
Deficit for the year	(933,767)	-	(933,767)
Costs incurred in relation to equity funding	-	(53,733)	(53,733)
Cash share issue	<u>-</u>	<u>742,707</u>	<u>742,707</u>
At 31 March 2016	<u>(4,229,558)</u>	<u>4,229,182</u>	<u>(376)</u>

BACTEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016

13. RELATED PARTY DISCLOSURES

D G Price, who is a director of the company, has previously made various loans to the company of which £477 (2015: £4,304) remains outstanding to him at the balance sheet date.

Turquoise International Limited invoiced £21,055 (2015: £40,691) to the company in relation to the year. Turquoise owns 100% of the issued share capital of LCIF Representative Ltd (a director of the company).

During the year directors were issued 4,375 A ordinary shares with a book value of £44 (2015: 4,630 A ordinary shares with a book value of £46) at a premium of £349,946 (2015: £324,054) as part of a funding round. One director exercised options over 2,256 ordinary shares with a book value of £23 (2015: nil) at a premium of £nil (2015: £nil).

14. OPERATING LEASE

The company has entered into a lease for office space at an annual rental of £55,200 (2015: £55,200). The lease can be cancelled on 1 months' notice. The maximum future commitment under the lease at the balance sheet date is £4,600 (2015: £4,600).

15. SHARE BASED PAYMENTS

Share options in place at 31 March 2016 are shown below:

Grant date	Number of employees	Number of shares	Vesting period**	Lapse date	Exercise price (£)	Type
01/07/2012	1	583	3 years	01/07/2022	30.00	EMI
01/07/2012	1	416	3 years	01/07/2022	60.00	EMI
01/07/2013	2	1,760	3 years	01/07/2023	60.00	EMI
01/07/2013	1	1,356	3 years	01/07/2023	60.00	UNAPPROVED
06/04/2014	2	1,330	3 years	06/04/2024	60.00	EMI
11/12/2014	3*	68	none	11/12/2024	60.00	WARRANTS
06/04/2015	2	1,063	3 years	06/04/2025	70.00	EMI
06/04/2015	1	372	none	06/04/2016	0.01	WARRANTS
03/07/2015	1	429	3 years	03/07/2025	70.00	EMI
03/07/2015	1	1,363	3 years	03/07/2025	70.00	UNAPPROVED

* Warrants issued to 3 non-employees

** Options vest immediately in the event of a sale of the company or an IPO.

16. POST BALANCE SHEET EVENTS

The company closed a further £383k of equity funding in the period April to December 2016 and received the first instalment from the Horizon 2020 grant of £677k in November 2016.