

**Report of the Directors and
Financial Statements for the Year Ended 31 December 2015
for
Intrinsiq Materials Limited**

**Contents of the Financial Statements
for the Year Ended 31 December 2015**

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Intrinsiq Materials Limited
Company Information
for the Year Ended 31 December 2015

DIRECTORS:

J J Coronas
J C Stoffel
Ms J Tegan
R Nead
Dr P W Reip

SECRETARY:

Jordan Company Secretaries Limited

REGISTERED OFFICE:

20 - 22 Bedford Row
London
WC1R 4JS

REGISTERED NUMBER:

04244598

AUDITORS:

The Fish Partnership
Chartered Accountants
& Statutory Auditor
The Mill House
Boundary Road
Loudwater
High Wycombe
Bucks.
HP10 9QN

**Report of the Directors
for the Year Ended 31 December 2015**

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

J J Coronas
J C Stoffel

Other changes in directors holding office are as follows:

R J Dixon - resigned 16 September 2015
R F Cournoyer - resigned 25 March 2015
Ms J Tegan - appointed 25 March 2015
R Nead - appointed 25 March 2015
Dr P W Reip - appointed 16 September 2015

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, The Fish Partnership, will be proposed for re-appointment at the forthcoming Annual General Meeting.

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

ON BEHALF OF THE BOARD:

R Nead - Director

11 October 2016

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2015**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

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.

Report of the Independent Auditors to the Members of Intrinsiq Materials Limited

We have audited the financial statements of Intrinsiq Materials Limited for the year ended 31 December 2015 on pages six to twelve. 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 a Report of the Auditors 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 set out on page three, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 December 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
Intrinsiq Materials Limited**

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 in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Martin Sheehy (Senior Statutory Auditor)
for and on behalf of The Fish Partnership
Chartered Accountants
& Statutory Auditor
The Mill House
Boundary Road
Loudwater
High Wycombe
Bucks.
HP10 9QN

13 October 2016

**Profit and Loss Account
for the Year Ended 31 December 2015**

	Notes	2015 £	2014 £
TURNOVER		1,162,949	1,682,541
Cost of sales		<u>247,533</u>	<u>303,999</u>
GROSS PROFIT		915,416	1,378,542
Administrative expenses		<u>1,203,135</u> (287,719)	<u>1,520,307</u> (141,765)
Other operating income		<u>7,563</u>	<u>30,250</u>
OPERATING LOSS and LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(280,156)	(111,515)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(280,156)</u>	<u>(111,515)</u>

The notes form part of these financial statements

Balance Sheet
31 December 2015

	Notes	2015 £	£	2014 £	£
FIXED ASSETS					
Intangible assets	4		43,241		46,589
Tangible assets	5		<u>113,890</u>		<u>203,701</u>
			157,131		250,290
CURRENT ASSETS					
Stocks		10,986		10,344	
Debtors	6	358,734		381,468	
Cash at bank and in hand		<u>34,420</u>		<u>139,098</u>	
		404,140		530,910	
CREDITORS					
Amounts falling due within one year	7	<u>400,520</u>		<u>389,836</u>	
NET CURRENT ASSETS			<u>3,620</u>		<u>141,074</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			160,751		391,364
CREDITORS					
Amounts falling due after more than one year	8		<u>115,739</u>		<u>66,196</u>
NET ASSETS			<u>45,012</u>		<u>325,168</u>
CAPITAL AND RESERVES					
Called up share capital	9		9,773,756		9,773,756
Share premium	10		539,460		539,460
Profit and loss account	10		<u>(10,268,204)</u>		<u>(9,988,048)</u>
SHAREHOLDERS' FUNDS			<u>45,012</u>		<u>325,168</u>

The financial statements have been prepared in accordance with the 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 11 October 2016 and were signed on its behalf by:

R Nead - Director

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2015**

1. ACCOUNTING POLICIES

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 January 2015).

Turnover

Turnover from government grants is recognised in the profit and loss so as to match it with the expenditure towards which it is intended to contribute. Other turnover represents amounts invoiced in respect of the delivery of goods and the provision of services.

Patents

Patents are initially recorded at cost and are amortised over their estimated economic life. Patents are reviewed annually in order to identify if any conditions exist that indicate a permanent diminution in value. In cases where such circumstances exist, an impairment charge is debited to the profit and loss account to reduce the carrying value of the patents to fair value.

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	- at varying rates on cost
Fixtures and fittings	- 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and 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.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

1. ACCOUNTING POLICIES - continued

Going concern

For the year ended 31 December 2015 the company incurred losses of £280,156 and for 2014 losses of £111,515. The company continues to be dependent upon the support of its parent company Intrinsiq Materials Inc, and its director.

For 2016 the company expects to continue its development activities and will fund its activities from existing working capital and its grant revenues together with additional financial support as required from its parent company.

The directors have no reason to believe that continued support will not be made available. The parent company has also confirmed that they will not seek repayment of any existing debt for at least 12 months post the date of signing these financial statements.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The accounts do not reflect adjustments that would have to be made should continuing finance not be available, namely reducing the value of the assets to the realisable amounts, providing for any further liabilities which might arise and reclassifying all fixed assets and long term liabilities as current assets and liabilities respectively.

Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance cost gains and losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. OPERATING LOSS

The operating loss is stated after charging:

	2015	2014
	£	£
Depreciation - owned assets	91,330	168,100
Loss on disposal of fixed assets	8,484	-
Patents and licences amortisation	3,348	3,348
Auditors' remuneration	12,850	9,692
Foreign exchange differences	2,343	34,409
Pension costs	<u>26,963</u>	<u>35,981</u>
Directors' remuneration and other benefits etc	<u>92,648</u>	<u>104,545</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>1</u>
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

3. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2015 nor for the year ended 31 December 2014.

4. **INTANGIBLE FIXED ASSETS**

	Patents and licences £
COST	
At 1 January 2015	
and 31 December 2015	<u>56,911</u>
AMORTISATION	
At 1 January 2015	10,322
Amortisation for year	<u>3,348</u>
At 31 December 2015	<u>13,670</u>
NET BOOK VALUE	
At 31 December 2015	<u>43,241</u>
At 31 December 2014	<u>46,589</u>

5. **TANGIBLE FIXED ASSETS**

	Plant and machinery £	Fixtures and fittings £	Totals £
COST			
At 1 January 2015	2,866,431	137,872	3,004,303
Additions	20,995	708	21,703
Disposals	<u>(42,606)</u>	<u>-</u>	<u>(42,606)</u>
At 31 December 2015	<u>2,844,820</u>	<u>138,580</u>	<u>2,983,400</u>
DEPRECIATION			
At 1 January 2015	2,665,121	135,481	2,800,602
Charge for year	89,606	1,724	91,330
Eliminated on disposal	<u>(22,422)</u>	<u>-</u>	<u>(22,422)</u>
At 31 December 2015	<u>2,732,305</u>	<u>137,205</u>	<u>2,869,510</u>
NET BOOK VALUE			
At 31 December 2015	<u>112,515</u>	<u>1,375</u>	<u>113,890</u>
At 31 December 2014	<u>201,310</u>	<u>2,391</u>	<u>203,701</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

6. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £	2014 £
Trade debtors	126,415	279,000
Amounts owed by group undertakings	-	12
Other debtors	232,319	102,456
	<u>358,734</u>	<u>381,468</u>

7. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £	2014 £
Trade creditors	134,926	180,017
Taxation and social security	11,595	20,186
Other creditors	253,999	189,633
	<u>400,520</u>	<u>389,836</u>

8. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2015 £	2014 £
Amounts owed to group undertakings	<u>115,739</u>	<u>66,196</u>

9. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2015 £	2014 £
9,773,756	Ordinary		<u>9,773,756</u>	<u>9,773,756</u>

10. **RESERVES**

	Profit and loss account £	Share premium £	Totals £
At 1 January 2015	(9,988,048)	539,460	(9,448,588)
Deficit for the year	(280,156)		(280,156)
At 31 December 2015	<u>(10,268,204)</u>	<u>539,460</u>	<u>(9,728,744)</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2015**

11. RELATED PARTY TRANSACTIONS

Intrinsiq Materials Limited is wholly owned by Intrinsiq Materials Inc.
Intrinsiq Materials Inc is in turn owned by the following combination of corporate entities and individual investors;

Trillium International	60.46%
Cayuga Venture	11.39%
Rand Capital	6.83%
The Rochester Angel Fund	2.28%
Individual Investors	4.04%
Employees	15.00%

During the previous year a loan account of £599,400 owed to Intrinsiq Materials Inc was converted into equity, Intrinsiq Materials Inc continue to hold the whole of the share capital for Intrinsiq Materials Limited.

During the year QinetiQ Holdings Limited charged the company for rent and other premises related costs on an arms length basis;
QinetiQ Limited £190,577 (2014: £224,275)

During the year the company made sales to the following group companies;
Intrinsiq Materials Inc £nil (2014: £222,856)

During the year the company received loans of £49,543 (2014: £238,410) from Intrinsiq Materials Inc.

At 31 December 2015 the company owed £115,739 (2014: £66,196) to Intrinsiq Materials Inc on a loan account.

12. ULTIMATE CONTROLLING PARTY

The ultimate parent company of Intrinsiq Materials Limited is that of Intrinsiq Materials Inc, a company incorporation in the United States of America.

The largest and smallest group in which Intrinsiq Materials Limited is a member and for which consolidated accounts are drawn up is that headed by Intrinsiq Materials Inc.

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