

Registered number
06029069

Absynth Biologics Ltd

Filleted Accounts

31 July 2017

Absynth Biologics Ltd**Registered number:** 06029069**Balance Sheet****as at 31 July 2017**

| | Notes | 2017 | 2016 |
|--|--------------|------------------|------------------|
| | | £ | £ |
| Fixed assets | | | |
| Intangible assets | 8 | - | 2,750 |
| Tangible assets | 9 | 84,304 | - |
| | | <u>84,304</u> | <u>2,750</u> |
| Current assets | | | |
| Debtors | 10 | 102,343 | 80,127 |
| Cash at bank and in hand | | 34,327 | 17,878 |
| | | <u>136,670</u> | <u>98,005</u> |
| Creditors: amounts falling due within one year | 11 | (432,086) | (228,263) |
| Net current liabilities | | <u>(295,416)</u> | <u>(130,258)</u> |
| Total assets less current liabilities | | <u>(211,112)</u> | <u>(127,508)</u> |
| Creditors: amounts falling due after more than one year | 12 | (384,895) | (366,110) |
| Net liabilities | | <u>(596,007)</u> | <u>(493,618)</u> |
| Capital and reserves | | | |
| Called up share capital | | 4,287 | 4,287 |
| Share premium | | 2,496,348 | 2,146,530 |
| Profit and loss account | | (3,096,642) | (2,644,435) |
| Shareholders' funds | | <u>(596,007)</u> | <u>(493,618)</u> |

The directors are satisfied that the company is entitled to exemption from the requirement to obtain an audit under section 477 of the Companies Act 2006.

The members have not required the company to obtain an audit in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The accounts have been prepared and delivered in accordance with the special provisions applicable to companies subject to the small companies regime. The profit and loss account has not been delivered to the Registrar of Companies.

F Marston

Director

Approved by the board on 19 March 2018

Absynth Biologics Ltd
Notes to the financial statements
for the year ended 31 July 2017

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (as applied to small entities by section 1A of the standard).

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company is engaged in the commercialisation of intellectual property and is currently in the research and development stage of its activities. As is usual in this industry, research projects must meet specific targets in order to demonstrate ongoing commercial viability and negotiate successfully for additional funding. Companies that cannot demonstrate ongoing technical or commercial viability would be wound down. New funding cycles are typically 12 to 18 months apart, although this varies between companies.

The Company held cash balances of £34,327 at 31st July 2017 and is expected to receive additional cash injections in the form of agreed grant funding in addition to equity from new and existing shareholders.

However, there can be no certainty in relation to the equity funding, which is reliant on uncertain future events, represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operation existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulative amortisation and any accumulative impairment losses.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|---------------------|--------------|
| Plant and machinery | over 5 years |
|---------------------|--------------|

Fixtures, fittings, tools and equipment

over 5 years

Financial instruments

Following the adoption of FRS25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Share options

No charge is recognised for share options issued, in accordance with the requirements of FRSSE 2008, the number of options issued and their principal vesting conditions are disclosed in note 14.

Grant income

Grant income is recognised where there is reasonable assurance that the physical payment will be received and the attached conditions have been applied with. When the grant relates to an expense item, it is recognised as other operating income on a systematic basis over the time periods that the costs, which it is intended to compensate, are expensed.

Taxation

The credit for taxation is based on the R&D Expenditure Credits and R&D Tax Relief received during the period.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Foreign currency translation

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to profit or loss.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

| | | |
|-------------------------|-------------|-------------|
| 2 Operating loss | 2017 | 2016 |
| | £ | £ |

This is stated after charging:

| | | |
|--------------------------------------|---------|---------|
| Depreciation of fixed assets | 6,022 | - |
| Amortisation of intangible assets | 2,749 | 2,317 |
| Research and development expenditure | 381,434 | 312,234 |
| Auditors' remuneration - as auditor | 3,500 | 3,500 |
| | <hr/> | <hr/> |

3 Director's remuneration

The directors' aggregate remuneration in respect of qualifying services were:

| | | |
|------------------------|-------------|-------------|
| | 2017 | 2016 |
| | £ | £ |
| Aggregate remuneration | 162,785 | 175,285 |
| | <hr/> | <hr/> |

| | | |
|--------------------|---------------|---------------|
| 4 Employees | 2017 | 2016 |
| | Number | Number |

| | | |
|---|-------|-------|
| Average number of persons employed by the company | 5 | 5 |
| | <hr/> | <hr/> |

| | | |
|------------------------------|-------------|-------------|
| 5 Interest receivable | 2017 | 2016 |
| | £ | £ |

| | | |
|--------------------------|-------|-------|
| Bank interest receivable | 54 | 152 |
| | <hr/> | <hr/> |

| | | |
|---|-------------|-------------|
| 6 Interest payable and similar charges | 2017 | 2016 |
| | £ | £ |

| | | |
|------------------|--------|-------|
| Interest payable | 22,528 | 6,326 |
| | <hr/> | <hr/> |

7 Taxation on ordinary activities

(a) Analysis of credit in the year

| | 2017 | 2016 |
|-------------------|-----------------|-----------------|
| | £ | £ |
| Current tax: | | |
| R&D tax credit | (23,018) | (48,163) |
| Total current tax | <u>(23,018)</u> | <u>(48,163)</u> |

(b) Factors affecting current tax credit

| | 2017 | 2016 |
|---|------------------|------------------|
| | £ | £ |
| Loss on ordinary activities before taxation | <u>(475,225)</u> | <u>(386,220)</u> |
| Loss on ordinary activities by rate of tax | (95,045) | (77,244) |
| Expenses not deductible for tax purposes | - | 1,729 |
| Unrelieved tax losses | 95,045 | 75,515 |
| R&D tax credit | <u>(23,018)</u> | <u>(48,163)</u> |
| Total current tax (note 8(a)) | <u>(23,018)</u> | <u>(48,163)</u> |

8 Intangible fixed assets

£

Goodwill:

Cost

| | |
|------------------|---------------|
| At 1 August 2016 | 23,179 |
| At 31 July 2017 | <u>23,179</u> |

Amortisation

| | |
|--------------------------|---------------|
| At 1 August 2016 | 20,429 |
| Provided during the year | 2,750 |
| At 31 July 2017 | <u>23,179</u> |

Net book value

| | |
|-----------------|--------------|
| At 31 July 2017 | - |
| At 31 July 2016 | <u>2,750</u> |

Goodwill is being written off in equal annual instalments over its estimated economic life of 5 years.

9 Tangible fixed assets

Plant and
machinery
etc
£

Cost

| | |
|-----------|---------------|
| Additions | <u>90,326</u> |
|-----------|---------------|

| | |
|-----------------------|--------|
| At 31 July 2017 | 90,326 |
| Depreciation | |
| Charge for the year | 6,022 |
| At 31 July 2017 | 6,022 |
| Net book value | |
| At 31 July 2017 | 84,304 |

| 10 Debtors | 2017 | 2016 |
|----------------------------------|----------------|---------------|
| | £ | £ |
| Prepayments | 3,766 | 4,150 |
| VAT recoverable | 9,074 | 6,893 |
| Other debtors and accrued income | 89,503 | 69,084 |
| | <u>102,343</u> | <u>80,127</u> |

| 11 Creditors: amounts falling due within one year | 2017 | 2016 |
|---|----------------|----------------|
| | £ | £ |
| Obligations under finance lease and hire purchase contracts | 48,968 | - |
| Trade creditors | 61,307 | 19,662 |
| Accruals and deferred income | 12,253 | 74,927 |
| Amounts owed to related parties | 303,592 | 126,167 |
| Other taxes and social security costs | 3,413 | 7,483 |
| Other creditors | 2,553 | 24 |
| | <u>432,086</u> | <u>228,263</u> |

| 12 Creditors: amounts falling due after one year | 2017 | 2016 |
|---|----------------|----------------|
| | £ | £ |
| Obligations under finance lease and hire purchase contracts | 36,979 | - |
| Amounts owed to related parties | 347,916 | 366,110 |
| | <u>384,895</u> | <u>366,110</u> |

Amounts owed to related parties consist of:

A loan totalling £84,583 (2016: £112,777) from the University of Sheffield. The loan interest is calculated at 3% above six month LIBOR and increased to 4% above LIBOR after May 2014 and is paid monthly in arrears. The loan is repayable in 36 monthly installments from February 2016;

A convertible loan totalling £76,000 (2016: £75,000) from the Fusion IP group, a shareholder in the company. The loan interest is 8% and the loan agreement includes the option of conversion. The loan term is to September 2020;

A convertible loan totalling £234,000 (2016: £225,000) from Alderley Park Ventures. The loan interest is charged at 8% per annum from the first anniversary of the agreement. The agreement includes the option of conversion to equity at any point during its term. The loan agreement is to September 2020;

Additional related party transactions detailed in note 13.

13 Related party transactions

During the year ended 31 July 2017 the Company purchased management services from S Foster, a director of the Company, £20,000 (2016: £20,000). The Company owed S Foster £45,000 at the year end (2016: £25,000).

During the year ended 31 July 2017 the Company purchased management services from D Knowles, a director of the Company, £25,000 (2016: £25,000). The Company owed D Knowles £56,250 at the year end (2016: £31,250).

During the year ended 31 July 2017 the Company paid expenses of £1,607 (2016: £7,865) to Fiona Marston, a director of the Company. The Company owed Fiona Marston £9,777 at the year end (2016: £7,496) and deferred salary payments totalling £56,000 (2016: £32,000).

During the year ended 31 July 2017 the Company incurred board fees of £15,000 (2016: £15,000) relating to IP Fusion, a shareholder of the Company. The Company owed IP Fusion £38,750 at the year end (2016: £23,750).

During the year ended 31 July 2017 the Company incurred board fees of £17,500 (2016: £15,000) relating to NWF4B, a director and shareholder of the Company. The Company owed NWF4B £41,250 at the year end (2016: £23,750).

During the year ended 31 July 2017 the Company incurred board fees of £5,000 relating to S Shah, a director and shareholder of the Company (2016: n/a).

14 Other information

Absynth Biologics Ltd is a private company limited by shares and incorporated in England. Its registered office is:

Biohub At Alderley Park
Alderley Park
Macclesfield
Cheshire
SK10 4TG

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.