

Company Registration No. 07391909

ARIO PHARMA LIMITED

Report and Financial Statements

31 December 2014

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ARIO PHARMA LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

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ARIO PHARMA LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K G McCullagh
G J Mulder
H A Slootweg
W Hartwig
J W Ford
S Subramaniam
A O'Connell

SECRETARY

R Hemsley

REGISTERED OFFICE

Iconix Park
London Road
Pampisford
Cambridge
CB22 3EG

ACCOUNTANTS

Deloitte LLP
Chartered Accountants
Cambridge

ARIO PHARMA LIMITED

DIRECTORS' REPORT

The directors present their annual report and the unaudited financial statements for the year ended 31 December 2014.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

PRINCIPAL ACTIVITY

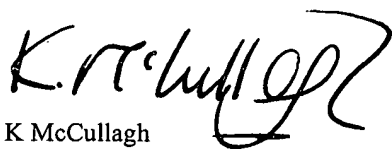
The principal activity of the company is the research and development of new therapeutics for the treatment of respiratory indications.

DIRECTORS

The directors who served during the year and subsequently, unless otherwise stated, were as follows:

T Brears (resigned 2 January 2014)
K G McCullagh
G J Mulder
H A Slootweg
W Hartwig
J W Ford
S Subramaniam
A O'Connell (appointed 8 January 2014)

Approved by the Board of Directors
and signed on behalf of the Board



K McCullagh

Director

16 February 2015

CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE PREPARATION OF THE UNAUDITED STATUTORY FINANCIAL STATEMENTS OF ARIO PHARMA LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Ario Pharma Limited for the 9 months ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 8 from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at www.icaew.com/membershandbook.

This report is made solely to the Board of Directors of Ario Pharma Limited, as a body, in accordance with the terms of our engagement letter dated 17 December 2014. Our work has been undertaken solely to prepare for your approval the financial statements of Ario Pharma Limited and state those matters that we have agreed to state to you in this report in accordance with AAF 02/10 as detailed at www.icaew.com/compilation. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ario Pharma Limited and its Board of Directors as a body for our work or for this report.

It is your duty to ensure that Ario Pharma Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Ario Pharma Limited. You consider that Ario Pharma Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Ario Pharma Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Cambridge, United Kingdom

17 February 2015

ARIO PHARMA LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2014

	Note	2014 £	2013 £
Research and development costs		(931,830)	(425,941)
Administrative expenses		(390,892)	(195,424)
OPERATING LOSS	2	(1,322,722)	(621,365)
Interest receivable and similar income		6,504	295
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,316,218)	(621,070)
Tax on loss on ordinary activities	3	187,798	66,365
LOSS FOR THE FINANCIAL YEAR	8	(1,128,420)	(554,705)

ARIO PHARMA LIMITED

BALANCE SHEET 31 December 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Intangible assets	4	497,668	499,250
CURRENT ASSETS			
Debtors	5	210,293	80,365
Cash at bank and in hand		497,661	1,736,209
		707,954	1,816,574
CREDITORS: amounts falling due within one year	6	(223,259)	(211,120)
NET CURRENT ASSETS		484,695	1,605,454
TOTAL ASSETS LESS CURRENT LIABILITIES		982,363	2,104,704
CAPITAL AND RESERVES			
Called up share capital	7	111,927	105,848
Share premium	8	6,425,134	6,425,134
Profit and loss account	8	(5,554,698)	(4,426,278)
SHAREHOLDERS' FUNDS		982,363	2,104,704

The financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

For the year ended 31 December 2014 the company was entitled to the exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

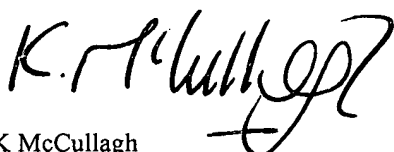
Directors' responsibilities

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

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

The financial statements of Ario Pharma Limited, registered number 07391909, were approved by the Board of Directors and authorised for issue on 16 February 2015.

Signed on behalf of the Board of Directors


K McCullagh
Director

ARIO PHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime and the Financial Reporting Standard for Smaller Entities (effective April 2008) under the historical cost convention.

Going concern

During the year under review the company has met its working capital requirements from funds received from shareholders. The directors have considered forecast cash flow information for 2015 and beyond which indicates that the company has sufficient cash resources to meet its liabilities in relation to committed and expected activities. The company will require further funds prior to the commencement of any significant new development activities, and the company is investigating opportunities to generate additional funds.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Intangible fixed assets

Patents and licences are included at cost and depreciated in equal annual instalments over the useful economic life of the asset. A provision is made for any impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Share-based payments

The company has issued warrants to certain shareholders. These financial statements have been prepared in accordance with Financial Reporting Standard for Smaller Entities which does not require equity-settled share-based payment arrangements to be recognised as an expense.

Research and development

Research and development expenditure is written off as incurred.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

2. OPERATING LOSS

	2014 £	2013 £
Operating loss is after charging:		
Amortisation of intangible fixed assets	51,185	50,338

ARIO PHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

3. TAX ON LOSS ON ORDINARY ACTIVITIES

	2014 £	2013 £
United Kingdom corporation tax - research and development tax credit	<u>187,798</u>	<u>66,365</u>

4. INTANGIBLE FIXED ASSETS

	Patents and licences £
Cost	
At 1 January 2014	654,388
Additions	<u>49,603</u>
At 31 December 2014	<u>703,991</u>
Amortisation	
At 1 January 2014	155,138
Charge for the year	<u>51,185</u>
At 31 December 2014	<u>206,323</u>
Net book value	
At 31 December 2014	<u>497,668</u>
At 31 December 2013	<u>499,250</u>

Ario Pharma Limited acquired the drug discovery business from Xention Pharma Limited on 1 December 2010. This included intellectual property rights, together with an ongoing development programme. The majority of the value of the drug discovery business acquired has been attributed to the intellectual property, which included an exclusive license over certain patents, and the excess of purchase consideration over the tangible assets has been capitalised as an intangible asset, depreciated over the remaining 13 years of patent life. Upon completion of certain milestones, future amounts will be payable to the original holder of the patents.

The company acquired certain intellectual property rights in September 2014. The purchase consideration has been capitalised as an intangible asset, and will be depreciated over the 19.5 years of patent life that remained at the time of acquisition. Upon completion of certain milestones, future amounts will be payable to the original holder of the patents.

ARIO PHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

5. DEBTORS

	2014 £	2013 £
Amounts falling due within one year:		
VAT receivable	12,184	11,121
Corporation tax recoverable	187,798	66,365
Other debtors and prepayments	10,311	2,879
	<u>210,293</u>	<u>80,365</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Trade creditors`	77,139	68,100
Accruals	146,120	143,020
	<u>223,259</u>	<u>211,120</u>

7. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Called up and allotted		
2,795,320 ordinary shares of 1p each	27,953	27,953
1,531,595 (2013 - 923,684) 'A' ordinary shares of 1p each	15,316	9,237
6,865,828 Series 'A' preferred shares of 1p each	68,658	68,658
	<u>111,927</u>	<u>105,848</u>

Ordinary shares and series 'A' preferred shares are entitled to one vote per share held, whilst 'A' ordinary shares are entitled to one vote per 100 shares held, unless the threshold as defined in the articles is reached. The Series 'A' preferred shares carry a liquidation preference and a priority distribution of sale proceeds. The 'A' ordinary shares only carry a right to receive the proceeds of sale, dividend or other distribution if the threshold has been reached. Apart from the voting and dividend rights, shares rank pari passu in all other respects.

During the year the company allotted 607,911 Series 'A' ordinary shares of 1p each at par.

ARIO PHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

8. STATEMENT OF MOVEMENT IN RESERVES

	Profit and loss account £	Share premium account £	Total £
At 1 January 2014	(4,426,278)	6,425,134	1,998,856
Loss for the year	(1,128,420)	-	(1,128,420)
At 31 December 2014	<u>(5,554,698)</u>	<u>6,425,134</u>	<u>870,436</u>