

Registered number: 08595647

OXSONICS LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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OXSONICS LIMITED
REGISTERED NUMBER: 08595647

BALANCE SHEET
AS AT 30 JUNE 2017

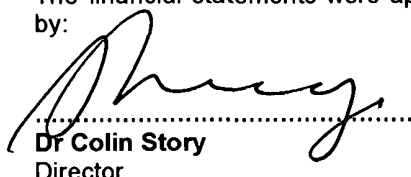
	Note	2017 £	2016 £
Fixed assets			
Intangible fixed assets	4	243,269	137,681
Tangible fixed assets	5	245,199	369,508
		<u>488,468</u>	<u>507,189</u>
Current assets			
Debtors: amounts falling due within one year	6	5,458,733	433,720
Cash at bank and in hand	7	3,292,618	1,154,036
		<u>8,751,351</u>	<u>1,587,756</u>
Creditors: amounts falling due within one year	8	(173,370)	(240,600)
Net current assets		<u>8,577,981</u>	<u>1,347,156</u>
Total assets less current liabilities		<u>9,066,449</u>	<u>1,854,345</u>
Net assets		<u>9,066,449</u>	<u>1,854,345</u>
Capital and reserves			
Called up share capital	10	4,712	3,420
Share premium account		11,166,631	2,698,920
Profit and loss account		(2,104,894)	(847,995)
		<u>9,066,449</u>	<u>1,854,345</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Dr Colin Story
 Director

Date: 23rd Nov 2017

The notes on pages 2 to 12 form part of these financial statements.

OXSONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. General information

Oxsonics Limited is a company limited by its shares and incorporated in England and Wales. The registered office is The Magdalen Centre, Robert Robinson Avenue, Oxford, OX4 4GA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period 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 revenue 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 reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

OXSONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 4 years straight line basis
Research equipment	- 3 years straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.5 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the Profit and Loss Account.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 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.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

OXSONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

OXSONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

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 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.

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

2.16 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

OXSONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Company's research and development work is substantially funded by government grants and as such is eligible for Research and Development Expenditure Credits (RDEC), this credit is recognised as other operating income.

3. Employees

The average monthly number of employees, including directors, during the year was 11 (2016 - 9).

OXSONICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

4. Intangible assets

	Patents £
Cost	
At 1 July 2016	157,459
Additions	115,000
At 30 June 2017	272,459
Amortisation	
At 1 July 2016	19,778
Charge for the year	9,412
At 30 June 2017	29,190
Net book value	
At 30 June 2017	243,269
At 30 June 2016	137,681

OXSONICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

5. Tangible fixed assets

	Fixtures and fittings £	Research equipment £	Total £
Cost or valuation			
At 1 July 2016	24,160	606,880	631,040
Additions	-	104,815	104,815
At 30 June 2017	<u>24,160</u>	<u>711,695</u>	<u>735,855</u>
Depreciation			
At 1 July 2016	10,861	250,671	261,532
Charge for the year on owned assets	6,040	223,084	229,124
At 30 June 2017	<u>16,901</u>	<u>473,755</u>	<u>490,656</u>
Net book value			
At 30 June 2017	<u>7,259</u>	<u>237,940</u>	<u>245,199</u>
At 30 June 2016	<u>13,299</u>	<u>356,209</u>	<u>369,508</u>

6. Debtors

	2017 £	2016 £
Trade debtors	800	-
Other debtors	99,841	49,672
Prepayments and accrued income	358,092	317,683
Deferred taxation	-	66,365
Financial instruments	5,000,000	-
	<u>5,458,733</u>	<u>433,720</u>

7. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	3,292,618	1,154,036
	<u>3,292,618</u>	<u>1,154,036</u>

OXSONICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

8. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	73,517	33,658
Other creditors	165	-
Accruals and deferred income	99,688	206,942
	<u>173,370</u>	<u>240,600</u>

9. Deferred taxation

	2017 £
At beginning of year	66,365
Charged to profit or loss	(66,365)
	<u>-</u>
At end of year	<u>-</u>

10. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
10,607,652 (2016 - 7,700,000) Ordinary shares of £0.0004 each	4,243	3,080
859,411 (2016 - 850,000) G shares of £0.0004 each	344	340
312,500 Deferred shares of £0.0004 each	125	-
	<u>4,712</u>	<u>3,420</u>

During the year, the Company issued 3,220,152 fully paid Ordinary shares of £0.0004 each for a total consideration of £8,469,000.

312,500 Ordinary shares of £0.0004 each were designated as Deferred shares.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11. Share based payments

The Company operates an EMI share option scheme

	Weighted average exercise price (pence) 2017	Number 2017	Weighted average exercise price (pence) 2016	Number 2016
Outstanding at the beginning of the year	6.28	701,040	8.01	198,623
Granted during the year	80	19,800	4.17	681,240
Forfeited during the year	-80	(2,100)	0.04	(178,823)
Outstanding at the end of the year	8.07	718,740	6.28	701,040

	2017 Black- Scholes	2016 Black- Scholes
Option pricing model used		
Weighted average share price (pence)	80	4.17
Exercise price (pence)	80	4.17
Weighted average contractual life (years)	10	10
Expected volatility	70%	70%
Risk-free interest rate	1.196%	1.854

12. Pension commitments

The Company operates a defined benefit 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 £12,428 (2016: £7,500). No amounts were outstanding at the balance sheet date (2016: £nil)

13. Related party transactions

During the year, the Company made sales amounting to £46,250 (2016: £5,000) to Orthoson Limited, a company with common directors and shareholders, for the provision of R&D services as per the "Services and Option Agreement" executed on the 20th of April 2016. No balances were due between the companies at 30 June 2017 (2016: £Nil).

During the year, the Company incurred consultancy fees and related expenses of £39,110 (2016: £38,840) from a director of the Company. No amounts were owed to the director at the balance sheet date (2016: £NIL).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

14. Post balance sheet events

On 16 October 2017, the Company issued 77,084 G2 Ordinary shares with a nominal value of £0.0004 for a total consideration of £30.8336.

15. Auditor's information

The financial statements of the Company for year ended 30 June 2017 were audited by James Cowper Kreston and an unqualified opinion was issued. The senior statutory auditor was Sue Staunton MA FCA CF.

OXSONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 July 2015. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 July 2015

	£
Equity at 1 July 2015 under previous UK GAAP	2,345,200
Holiday pay accrual	(739)
Equity shareholders' funds at 1 July 2015 under FRS 102	2,344,461

Reconciliation of equity at 30 June 2016

	£
Equity at 30 June 2016 under previous UK GAAP	1,866,274
Holiday pay accrual	(11,929)
Equity shareholders' funds at 30 June 2016 under FRS 102	1,854,345

Reconciliation of profit and loss account for the year ended 30 June 2016

	£
Loss for the year under previous UK GAAP	(478,926)
Holiday pay accrual	(11,190)
Share based payment charge	(128,739)
Loss for the year ended 30 June 2016 under FRS 102	(618,855)

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 The financial statements have been prepared in accordance with Section 1A of Financial Reporting Standard 102 for the first time for the year ended 30 June 2017.

As a result of the conversion to FRS 102, the Company has included a holiday pay accrual within their financial statements which has impacted on reserves in the prior year by £11,929 and loss for the year ended 30 June 2016 by £11,929. The reserves for the year ended 30 June 2015 were also impacted by £739.

- 2 As a result of the of the conversion to FRS 102, a share based payment charge has been accounted for in the Statement of Comprehensive Income. Under previous UK GAAP these were not accounted for and were only disclosed. The effect on the loss for the year ended 30 June 2016 is £128,739. There was no impact on the reserves at 30 June 2015 and 30 June 2016 as the both sides of the entry is recognised within equity.