

ABCELLUTE LIMITED

Report and Financial Statements

30 September 2009

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REPORT AND FINANCIAL STATEMENTS
Year ended 30 September 2009

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OFFICERS AND PROFESSIONAL ADVISERS
Year ended 30 September 2009

DIRECTORS

G B Black (Chairman)
Dr P J Evans (resigned 3 June 2010)
Dr B J N Griffiths
D J F Griffiths
Dr D A A Owen, OBE
Dr J R Thornback (resigned 10 June 2009)
A B Watson (resigned 12 June 2009)

REGISTERED OFFICE

Regus House
Falcon Drive
Cardiff Bay
Cardiff
CF10 4RU
Registered number - 4295590

BANKERS

HSBC plc
97 Bute Street
Cardiff
CF10 5NA

SOLICITORS

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Berry Smith
Haywood House
Dumfries Place
Cardiff
CF10 3GA

AUDITORS

Watts Gregory LLP
Elfed House
Oak Tree Court
Mulberry Drive
Cardiff Gate Business Park
Cardiff
CF23 8RS

DIRECTORS' REPORT
Year ended 30 September 2009

The directors present their annual report and the audited financial statements for the year ended 30 September 2009

ACTIVITIES

The company has developed a unique technique which extends the life of human and other cells. The company has now embarked on the marketing of this preservation technique.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results of the company are given in the profit and loss account on page 6 and the financial position of the company at the end of the year is set out in the balance sheet on page 7. The directors consider the future prospects of the company to be satisfactory.

The company has recorded a loss for the year, and has net liabilities at 30 September 2009. The directors have assessed the balance sheet and likely future cash flows of the company at the date of approving the financial statements.

The company meets its day to day working capital requirements through financial investment by its institutional shareholders. The current economic conditions create uncertainty, particularly over the ability of the company to generate sufficient sales to return the company to profitability.

In November 2009, the company became a subsidiary of Abcellute Holdings Limited via a share for share exchange.

The new group has opened an ethical supply of human hepatocytes, which is now available to the market. This is an integral part of the group's business. This is a significant development and will allow the company to expand its cell isolating capabilities. In addition, the company aims to enhance its customer base in the EU.

Post year end, to enable the group to carry out its plans it has secured additional financial investment of £220,000 from its institutional investors, and is hopeful that a further £80,000 of funding will be agreed. The group's forecasts and projections, taking account of possible changes in trading performance, show that the company should be able to operate within the working capital requirements available.

The directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparation of the financial statements.

DIRECTORS

The directors of the company, who served throughout the financial year unless stated otherwise, are shown on page 1.

SHAREHOLDERS

The company's shares are owned by the directors, three institutional shareholders and 'Business Angel' investors. There is no ultimate controlling interest in the share capital of the company.

DIVIDENDS

The company paid no dividends in the current or prior financial year.

RESEARCH AND DEVELOPMENT

The company incurred costs of £111,694 (2008 - £113,942) during the financial year.

DIRECTORS' REPORT

Year ended 30 September 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

United Kingdom 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). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed; and
- 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 proper accounting records that 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

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is 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 of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

Watts Gregory LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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

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

G B Black
Director

Date ..

30.6.2010



REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ABCELLUTE LIMITED

We have audited the financial statements of Abcellute Limited for the year ended 30 September 2009 on pages six to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 two, 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 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.

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 30 September 2009 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 qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £172,544 during the year ended 30 September 2009 and at that date, the company's total liabilities exceeded its total assets by £175,570. These conditions, along with the other matters explained in note 1 to the financial statements, 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 any adjustments that would result if the company was unable to continue as a going concern.

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 SHAREHOLDERS OF ABCELLUTE 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



Kathryn Reid BSc FCA (Senior Statutory Auditor)

for and on behalf of Watts Gregory LLP (Statutory Auditors)

Chartered Accountants

Elfed House

Oak Tree Court

Cardiff Gate Business Park

CARDIFF

CF23 8RS

Date 30.6.2010

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ABCELLUTE LIMITED

	Note	2009 £	2008 £
TURNOVER	1	67,748	37,213
Cost of sales		(20,870)	(21,230)
Gross profit		46,878	15,983
Other operating income		-	2,000
Administrative expenses		(210,307)	(341,735)
OPERATING LOSS	3	(163,429)	(323,752)
Interest receivable		319	10,387
Interest payable and similar charges	4	(9,434)	(4,547)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(172,544)	(317,912)
Tax on loss on ordinary activities	5	-	16,348
LOSS FOR THE FINANCIAL YEAR	13	(172,544)	(301,564)

All activities derive from continuing operations


There have been no recognised gains and losses for the current or prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented


BALANCE SHEET
Year ended 30 September 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	6	9,240	14,586
CURRENT ASSETS			
Debtors	7	18,269	5,605
Cash at bank and in hand		27,106	54,894
		45,375	60,499
CREDITORS: amounts falling due within one year	8	(42,740)	(42,622)
NET CURRENT ASSETS		2,635	17,877
TOTAL ASSETS LESS CURRENT LIABILITIES		11,875	32,463
CREDITORS: amounts falling due after more than one year	9	(187,445)	(50,489)
NET LIABILITIES		(175,570)	(18,026)
CAPITAL AND RESERVES			
Called up share capital	13	3,677	3,658
Share premium account	13	1,137,034	1,122,053
Profit and loss account	13	(1,316,281)	(1,143,737)
TOTAL SHAREHOLDERS' FUNDS	13	(175,570)	(18,026)

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

These financial statements were approved by the Board of Directors on **30.6.2010**
Signed on behalf of the Board of Directors


D J F Griffiths
Director


G B Black
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

1. ACCOUNTING POLICIES

The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below

Accounting convention

The financial statements have been prepared under the historical cost convention

Going concern

The company has recorded a loss for the year and has net liabilities of £175,570 at 30 September 2009. The directors have assessed the balance sheet and likely future cash flows of the company at the date of approving the financial statements.

The company meets its day to day working capital requirements through financial investment by its institutional shareholders. The current economic conditions create uncertainty, particularly over the ability of the company to generate sufficient sales to return the company to profitability.

The directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future having secured financial investment of £220,000 and are in the process of negotiating additional financial investment of £80,000. Accordingly, they continue to adopt the going concern basis in preparation of the financial statements.

Turnover and revenue recognition

Turnover is the amount derived from product sales which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the company's principal activity.

Revenue is recognised in the period to which it relates.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life.

The rates of depreciation are as follows:

Laboratory equipment	-	25% straight-line
Office equipment	-	33% straight-line
Fixtures and fittings	-	15% straight-line

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 at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Research and development

Research and development expenditure is written off as incurred.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The aggregate employee costs (including executive directors) is shown below

	2009	2008
	£	£
Employee costs during the year		
Wages and salaries	100,071	206,622
Social security costs	9,014	17,765
	<u>109,085</u>	<u>224,387</u>
	No.	No.
Average number of persons employed during the year		
Marketing, sales and administration	<u>6</u>	<u>6</u>
	£	£
Directors' remuneration		
Emoluments	<u>89,312</u>	<u>209,293</u>
Highest paid director		
Emoluments	<u>55,544</u>	<u>90,672</u>

3. OPERATING LOSS

	2009	2008
	£	£
Operating loss is stated after charging		
Auditors' remuneration	2,250	2,000
Depreciation of owned assets	6,041	6,828
Research and development	<u>111,694</u>	<u>113,942</u>
Turnover has the following geographic split	UK - 85 7%	Overseas -14 3%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Loan interest payable	9,434	4,547

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2009 £	2008 £
Current taxation		
United Kingdom corporation tax		
Current tax on income for the year at 21% (2008- 21%)	-	-
Tax refund re research and development claim from previous years	-	(16,348)

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	£	£
Loss on ordinary activities before tax	(172,544)	(317,912)
Tax on loss on ordinary activities before tax at 21% (2008 – 21%)	36,234	66,762
Factors affecting charge for the year		
Depreciation in excess of capital allowances	(1,269)	(1,434)
Losses carried forward	(34,965)	(65,328)
Current tax charge for the year	-	-

At 30 September 2009, the company had trading losses of £1,197,203 to carry forward against future profits chargeable to corporation tax

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

6. TANGIBLE FIXED ASSETS

	Laboratory equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 1 October 2008	22,126	2,340	3,840	28,306
Additions	695	-	-	695
At 30 September 2009	22,821	2,340	3,840	29,001
Accumulated depreciation				
At 1 October 2008	11,485	1,353	882	13,720
Charge for the year	4,799	666	576	6,041
At 30 September 2009	16,284	2,019	1,458	19,761
Net book value				
At 30 September 2009	6,537	321	2,382	9,240
At 30 September 2008	10,641	987	2,958	14,586

7. DEBTORS

	2009 £	2008 £
Trade debtors	16,960	956
Other debtors and prepayments	1,309	1,726
Other taxation	-	2,923
	18,269	5,605

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Bank loan and overdraft	18,292	11,371
Trade creditors	3,932	5,463
Other taxation	901	-
Other creditors	1,418	4,694
Accruals and deferred income	18,197	4,850
Directors' loan accounts	-	16,244
	42,740	42,622

The bank loan is repayable by July 2017. Interest is payable at 3% over base rate. The loan of £49,658 is secured by a guarantee given by a share warrant holder of the company.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £	2008 £
Bank loan	42,201	50,489
10% convertible secured loan stock	124,000	-
Convertible unsecured loan stock	16,244	-
Director's unsecured convertible loan stock	5,000	-
	<u>187,445</u>	<u>50,489</u>

Convertible loan notes of £109,000 and £15,000 were issued on 17 December 2008 and 20 August 2009 respectively. The notes are convertible into ordinary shares of the company at any time between the date of issue of the notes and their settlement date. On issue the loan notes were convertible at the lower of £7.88 per ordinary share per loan note, or the agreed share price per ordinary share at a subsequent funding round. If the notes have not been converted, loan notes of £109,000 and £15,000 will be redeemed on 17 December 2011 and 20 August 2012 respectively, at par, together with interest accrued to the date of redemption.

The 10% convertible secured loan stock notes are secured on an all monies due debenture.

The directors' loans were converted to non-interest bearing, unsecured loan notes on 17 December 2008. The notes are convertible on the earlier of 17 December 2011 and the disposal of the company, at the lower of £7.88 per ordinary share per loan note and the agreed share price at a subsequent funding round.

10. BORROWINGS

	2009 £	2008 £
Bank loan and overdraft	60,493	61,860
Other loans	145,244	-
	<u>205,737</u>	<u>61,860</u>
Borrowings are repayable as follows		
Bank loans and overdraft		
Within one year	18,292	11,371
Between one and two years	7,722	5,226
Between two and five years	24,854	18,427
After five years (by instalments)	9,625	26,836
	<u>60,493</u>	<u>61,860</u>
Convertible debt		
Between two and five years	<u>145,244</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

11. TRANSACTIONS WITH DIRECTORS

At 30 September 2009, the following amounts were owing to directors

	2009 £	2008 £
A B Watson	-	4,000
G B Black	-	5,310
Dr D A A Owen	-	4,077
Dr J R Thornback	-	2,857
	<u>-</u>	<u>16,244</u>

On 17 December 2008 the directors' loans were converted to non-interest bearing unsecured convertible loan notes (see note 9)

The holder of the director's unsecured convertible loan stock of £5,000 is Gil Black. Gil Black and Dr D A A Owen also hold £5,310 and £4,077 respectively of the convertible unsecured loan stock.

12. CALLED UP SHARE CAPITAL

	No.	2009 £	No.	2008 £
Authorised				
'A' ordinary shares of 1p each	124,814	1,248	101,814	1,018
'Z' deferred shares of 1p each	275,962	2,760	275,962	2,760
	<u>400,776</u>	<u>4,008</u>	<u>377,776</u>	<u>3,778</u>
Allotted, called up and fully paid				
'A' ordinary shares of 1p each	91,709	917	89,805	898
'Z' deferred shares of 1p each	275,962	2,760	275,962	2,760
	<u>367,671</u>	<u>3,677</u>	<u>365,767</u>	<u>3,658</u>

Share options

Options have been granted under the Enterprise Management Incentive Scheme to the following directors to subscribe for 'A' ordinary shares of the company as follows

Name of allottee	Number of shares under option	Exercise period	Subscription price per share £
Dr P J Evans	2,521	Any date	0.01
Dr P J Evans	471	Any date	8.12
Dr B J N Griffiths	1,356	Any date	0.01
Dr B J N Griffiths	1,271	Any date	0.01
A B Watson	963	Any date	0.01
A B Watson	1,271	Any date	0.01

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

12. CALLED UP SHARE CAPITAL (CONTINUED)

A share warrant dated 12th January 2007 was granted to an individual entitling him to 3,635 fully paid up 'A' ordinary shares in the capital of the company. The subscription price for the 'A' ordinary shares is £60,000 in the event that the bank loan facility is withdrawn from the company within two years of the grant date, or the bearer exercises the option within the first two years of the grant date, or £12.24 per share if the option is taken up between 2 years and 10 years from the date of the warrant.

On 17 December 2008 the authorised share capital of the company was increased from £3,777.76 to £4,007.76 by the creation of 23,000 'A' ordinary shares of £0.01 each.

During the year the company allotted 1,904 'A' ordinary shares of £0.01 for £7.88 per share.

13. COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Profit and loss £	Total £
At 1 October 2008	3,658	1,122,053	(1,143,737)	(18,026)
New shares issued	19	14,984	-	15,003
Loss for the year	-	-	(172,544)	(172,544)
At 30 September 2009	<u>3,677</u>	<u>1,137,037</u>	<u>(1,316,281)</u>	<u>(175,567)</u>

14. ULTIMATE CONTROLLING PARTY

The company's shares are owned by the directors and three institutional shareholders and several business angels. There is no ultimate controlling interest in the share capital of the company.