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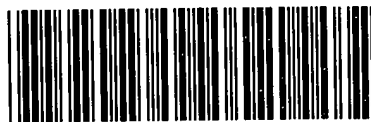
Registered number: 04750688

LEIN APPLIED DIAGNOSTICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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COMPANIES HOUSE

LEIN APPLIED DIAGNOSTICS LIMITED

COMPANY INFORMATION

DIRECTORS

D J Daly
G L Clark
R S Johnson
D Holbrook (resigned 27 May 2016)
D Quirke
I Page
M K Jenkins
R Henderson (appointed 29 June 2016)

COMPANY SECRETARY

D J Daly

REGISTERED NUMBER

04750688

REGISTERED OFFICE

27 The Junipers
Wokingham
Berkshire
RG41 4UX

INDEPENDENT AUDITOR

James Cowper Kreston
Chartered Accountants and Statutory Auditor
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

BANKERS

HSBC Plc
91 High Street
Brentwood
Essex
CM14 4RU

LEIN APPLIED DIAGNOSTICS LIMITED

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LEIN APPLIED DIAGNOSTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and the audited financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Lein Applied Diagnostics (Lein) has developed a novel optical technology that can make non-contacting measurements on many biological and industrial materials. Lein is targeting the following complementary markets:

- a) High resolution measurement - the accurate measurement of distances and thicknesses;
- b) Pharmacokinetics - the measurement of the movement of drugs through the body;
- c) Diabetes care - the non-invasive measurement of glucose for people with diabetes.

All three areas are progressing well with internal projects supported by a combination of venture capital, business angel funding and government grants.

The strong growth seen in previous years in the area of customer development projects has continued over the past year with many customers moving on from small, initial contracts to much larger, follow on projects. Customers are now also starting to move from the development to the product phase.

Since the end of the 2015-16 financial year Lein has won a very substantial customer order, its largest individual order to date. It is expected that the coming year will continue to deliver strong commercial growth and advances to the longer term internal development projects.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report 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 judgments 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.

LEIN APPLIED DIAGNOSTICS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

DIRECTORS

The directors who served during the year were:

D J Daly
G L Clark
R S Johnson
D Holbrook (resigned 27 May 2016)
D Quirke
I Page
M K Jenkins

Directors appointed after the year end:

R Henderson (appointed 29 June 2016)

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

The auditor, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 14th July 2016 and signed on its behalf.

.....
D J Daly
Director

LEIN APPLIED DIAGNOSTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LEIN APPLIED DIAGNOSTICS LIMITED

We have audited the financial statements of Lein Applied Diagnostics Limited for the year ended 31 March 2016, set out on pages 5 to 12. 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 an Auditor's report 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 AUDITOR

As explained more fully in the Directors' responsibilities statement, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

UNQUALIFIED 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 March 2016 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The directors have prepared forecasts which support the going concern assumption, these forecasts include revenues which the company requires in order to settle its liabilities as they fall due, a significant proportion of these revenues are not yet secured. This indicates 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 have been prepared on a going concern basis, the validity of which depends on future financial resources being available. The financial statements do not contain 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

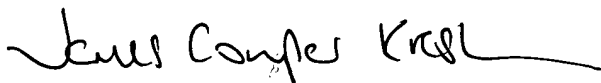
LEIN APPLIED DIAGNOSTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LEIN APPLIED DIAGNOSTICS 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 to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.



Alan Poole BA(Hons) FCA (Senior statutory auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House

George Street

Reading

Berkshire

RG1 8LS

Date: 18th July 2016

LEIN APPLIED DIAGNOSTICS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £	2015 £
TURNOVER	1	856,492	289,164
Cost of sales		<u>(496,727)</u>	<u>(246,042)</u>
GROSS PROFIT		359,765	43,122
Administrative expenses		(580,500)	(593,678)
Other operating income	2	<u>74,727</u>	<u>94,991</u>
OPERATING LOSS	3	(146,008)	(455,565)
Interest receivable and similar income		236	378
Interest payable and similar charges		<u>(21,919)</u>	<u>(12,260)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(167,691)	(467,447)
Tax on loss on ordinary activities	6	<u>106,133</u>	<u>117,623</u>
LOSS FOR THE FINANCIAL YEAR	12	<u>(61,558)</u>	<u>(349,824)</u>

The notes on pages 7 to 12 form part of these financial statements.

LEIN APPLIED DIAGNOSTICS LIMITED
REGISTERED NUMBER: 04750688

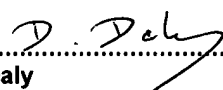
BALANCE SHEET
AS AT 31 MARCH 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	7		11,810		13,062
CURRENT ASSETS					
Stocks		11,118		13,570	
Debtors	8	166,354		175,410	
Cash at bank and in hand		10,629		80,275	
		<u>188,101</u>		<u>269,255</u>	
CREDITORS: amounts falling due within one year	9	<u>(374,738)</u>		<u>(338,443)</u>	
NET CURRENT LIABILITIES			<u>(186,637)</u>		<u>(69,188)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(174,827)</u>		<u>(56,126)</u>
CREDITORS: amounts falling due after more than one year	10		<u>(85,725)</u>		<u>(142,868)</u>
NET LIABILITIES			<u><u>(260,552)</u></u>		<u><u>(198,994)</u></u>
CAPITAL AND RESERVES					
Called up share capital	11		54,894		54,894
Share premium account	12		4,529,504		4,529,504
Capital redemption reserve	12		5,625		5,625
Profit and loss account	12		<u>(4,850,575)</u>		<u>(4,789,017)</u>
SHAREHOLDERS' DEFICIT			<u><u>(260,552)</u></u>		<u><u>(198,994)</u></u>

The financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

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

14th July 2016

.....

D J Daly
 Director

The notes on pages 7 to 12 form part of these financial statements.

LEIN APPLIED DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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).

1.2 Going concern

The detailed forecasts prepared by the directors to March 2017 indicate that a substantial increase in revenue is expected in the next financial year and that this will enable the company to continue as a going concern and settle its liabilities as they fall due.

The forecast prepared by the directors include an assessment of the level of certainty for each revenue item and each item is discounted accordingly. The directors have a reasonable expectation that the company will secure these revenues over the forecast period as further commercial opportunities come to fruition and demand is realised from its technology.

The directors acknowledge the reliance on future revenues when considering the company as a going concern and have performed sensitivity analysis on forecast unsecured revenues. The analysis, coupled with access to potential debt and other finance, leaves the directors confident that the business has adequate resources available to continue trading for the foreseeable future and for a period of not less than 12 months from the date of approval of these financial statements.

The directors therefore consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not contain any adjustments that would result if the company was unable to continue as a going concern.

1.3 Cash flow

The financial statements do not include a Cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2015).

1.4 Turnover

The recognition of income receivable is dependant on the terms of contracts, having regard to the risks and rewards of the arrangement and the existence of any performance or repayment obligations with any third party.

Revenue on project work is recognised as work is completed.

Grant income is recognised on a receivable basis.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Laboratory equipment	-	1 year
Fixtures, fittings & IT equipment	-	2 years

LEIN APPLIED DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. ACCOUNTING POLICIES (continued)

1.6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.9 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. OTHER OPERATING INCOME

	2016	2015
	£	£
R&D expenditure credit	5,617	7,573
Grants receivable	69,110	87,418
	74,727	94,991

LEIN APPLIED DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

3. OPERATING LOSS

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the company	14,752	18,970
Auditor's remuneration	7,250	6,875
Pension costs	13,160	8,178
Research and development expenditure written off	94,304	47,486

4. DIRECTORS' REMUNERATION

	2016 £	2015 £
Aggregate remuneration	143,470	155,890

During the year retirement benefits were accruing to 1 director (2015 - 2) in respect of defined contribution pension schemes.

5. SHARE BASED PAYMENTS

On 24 February 2014, the Company issued a total of 22,317 share options to four employees. These options vested immediately, and lapse on 24 February 2024. The exercise price of each option is £7.48. There are no performance conditions attached to the exercise of these options, but option holders must remain employed by the Company or the options will lapse.

On 2 August 2012, the Company issued 500 share options to each of two employees. These options vested immediately, and lapse on 2 August 2022. One of these option holders has now left the company and consequently his options have lapsed. The exercise price of each option is £11.53282. There are no performance conditions attached to the exercise of these options, but option holders must remain employed by the Company or the options will lapse.

On 26 January 2010, the Company issued a total of 2,500 share options to one employee. These options vested immediately, and lapse on 26 January 2020. The exercise price of each option is £11.53282. There are no performance conditions attached to the exercise of these options, but option holders must remain employed by the Company or the options will lapse.

On 13 October 2006, the Company issued 3,918 share options to one employee. These options vested immediately, and lapsed on 14 May 2016. The exercise price of each option is £9.0009. There are no performance conditions attached to the exercise price of these options.

LEIN APPLIED DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

6. TAXATION

	2016 £	2015 £
Analysis of tax charge in the year		
R&D tax credit	(108,847)	(117,623)
Adjustments in respect of prior periods	2,714	-
	<u>(106,133)</u>	<u>(117,623)</u>
Tax on loss on ordinary activities	<u>(106,133)</u>	<u>(117,623)</u>

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £400,880 (2015: £390,559).

7. TANGIBLE FIXED ASSETS

	Laboratory equipment £	Fixtures, fittings and IT equipment £	Total £
Cost			
At 1 April 2015	126,342	52,161	178,503
Additions	3,447	10,053	13,500
At 31 March 2016	<u>129,789</u>	<u>62,214</u>	<u>192,003</u>
Depreciation			
At 1 April 2015	120,060	45,381	165,441
Charge for the year	8,458	6,294	14,752
At 31 March 2016	<u>128,518</u>	<u>51,675</u>	<u>180,193</u>
Net book value			
At 31 March 2016	<u>1,271</u>	<u>10,539</u>	<u>11,810</u>
At 31 March 2015	<u>6,282</u>	<u>6,780</u>	<u>13,062</u>

8. DEBTORS

	2016 £	2015 £
Trade debtors	44,420	26,693
Other debtors	8,594	23,521
Corporation tax recoverable	113,340	125,196
	<u>166,354</u>	<u>175,410</u>

LEIN APPLIED DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

**9. CREDITORS:
Amounts falling due within one year**

	2016 £	2015 £
Other loans	117,132	57,132
Trade creditors	39,019	35,201
Other taxation and social security	12,750	12,353
Other creditors	205,837	233,757
	<u>374,738</u>	<u>338,443</u>

**10. CREDITORS:
Amounts falling due after more than one year**

	2016 £	2015 £
Other loans	<u>85,725</u>	<u>142,868</u>

Included within the above are amounts falling due as follows:

	2016 £	2015 £
Between one and two years		
Other loans	<u>85,725</u>	<u>57,132</u>
Between two and five years		
Other loans	<u>-</u>	<u>85,736</u>

The term loan facility is repayable over 42 months commencing 6 months after the first drawing of the loan. Interest is payable at 7% above the base rate and is secured against the assets of the company.

In addition, a short term loan of £60,000 was drawn down and is repayable during June 2016.

LEIN APPLIED DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

11. SHARE CAPITAL

	2016 £	2015 £
Allotted, called up and fully paid		
180,977 (2015 - 180,977) Ordinary shares of £0.10 each	18,097	18,097
367,968 (2015 - 367,968) Preference shares of £0.10 each	36,797	36,797
	<u>54,894</u>	<u>54,894</u>

The ordinary and preference shares rank pari passu for voting in general meetings. Preference shares may be converted to ordinary shares at any point. On winding up, the assets of the company available for distribution are applied in the following order, first in paying to each preference shareholder the subscription price paid and second in paying to each ordinary shareholder, who is a founder, the subscription price paid. Thereafter any remaining balance shall be distributed amongst both the preference and ordinary shareholders pari passu as if one class of share.

12. RESERVES

	Share premium account £	Capital redempt'n reserve £	Profit and loss account £
At 1 April 2015	4,529,504	5,625	(4,789,017)
Loss for the financial year			(61,558)
	<u>4,529,504</u>	<u>5,625</u>	<u>(4,850,575)</u>
At 31 March 2016			

13. RELATED PARTY TRANSACTIONS

No related party transactions took place during the year.

The directors consider there to be no overall controlling party.