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PERACHEM LIMITED

Registered number 05024723

Directors' Report and Financial Statements

For the year ended 31 March 2017

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PERACHEM LIMITED

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PERACHEM LIMITED

Company Information

Directors, Registered Office and Advisers

Directors	Dr A M Fielding
	Professor D M Lewis
	S M Winston
	N J K Wood
Secretary	S M Winston
Registration number	05024723 (England and Wales)
Registered office	First Floor, 55 Drury Lane
	London
	England
	WC2B 5RZ
Independent Auditor	RSM UK Audit LLP
	Chartered Accountants
	2 Whitehall Quay
	Leeds
	West Yorkshire
Bankers	LS1 4HG
	HSBC Bank plc
	33 Park Row
	Leeds
	LS1 1LD

Directors' Report

The directors present their report with the audited financial statements of the company for the year ended 31 March 2017. The Directors have taken advantage of the exemptions available as the Company qualifies as a small company and is part of a larger group producing consolidated accounts which includes the information required on a consolidated basis.

Review of the business

The business continues to research and develop its range of technology for commercial exploitation.

Results and dividends

The loss for the year after taxation amounted to £640,849 (2016: £227,624), which has been transferred to reserves.

The directors do not recommend the payment of a dividend for the year under review (2016: £nil).

Research and development

During the year, the company incurred expenditure on research and development activities amounting to £60,000 (2016: £45,389). This has been charged to the profit and loss account as incurred.

Directors

The directors during the year under review were:

Dr A M Fielding
Professor D M Lewis
S M Winston
N K J Wood

Charitable and political donations

No charitable or political donations have been made in either financial year.

Going concern

The company is reliant on ongoing financial support from its parent company. The directors are satisfied that the company has adequate resources to continue in business for the foreseeable future. The directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and the ability of the group to generate sufficient cash depends upon these forecasts. The cash flow forecasts contain assumptions and estimates regarding the timing and magnitude of predicted revenues which are uncertain. The directors are confident that they can control the group's cash resources through careful management of costs whilst the group builds up its revenue streams. In April 2017, the parent company completed a successful placing of shares, raising £2.275m before costs.

Strategic report

The company has taken advantage of the exemptions available to it as a small company from the requirement to prepare a Strategic report.

Statement as to disclosure of information to auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors is aware of that information.

PERACHEM LIMITED

Auditor

The auditor, RSM UK Audit LLP, has indicated its willingness to continue in office.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'S M Winston', written over a horizontal line.

S M Winston
Director

15 August 2017

Statement of Directors' Responsibilities

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 those financial statements, the directors are required to:

- 1 select suitable accounting policies and then apply them consistently;
- 2 make judgements and accounting estimates that are reasonable and prudent; and
- 3 prepare the financial statements on a 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 position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

Independent auditor's report to the members of Perachem Limited

Opinion on financial statements

We have audited the financial statements on pages 6 to 15. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 <http://www.frc.org.uk/auditscopeukprivate>

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 and, based on the work undertaken in the course of our audit, the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

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 take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

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.

RSM UK Audit LLP

ANDREW ALLCHIN FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG
30 August 2017

PERACHEM LIMITED

Statement of Comprehensive Income
for the year ended 31 March 2017

	Notes	31 Mar 2017 £	31 Mar 2016 £
Revenue	4	10,345	5,218
Cost of Sales		(2,528)	-
Gross Profit		7,817	5,218
Administrative expenses		(663,687)	(275,055)
Other operating income		-	2,005
OPERATING LOSS AND LOSS BEFORE TAXATION	6	(655,870)	(267,832)
Tax on loss	7	15,021	40,208
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		(640,849)	(227,624)

The accompanying accounting policies and notes form part of these financial statements.

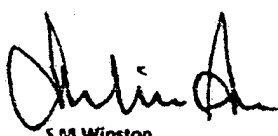
PERACHEM LIMITED

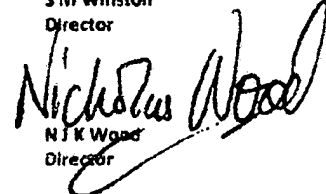
Statement of Financial Position
as at 31 March 2017

	Notes	2017 £	2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	8	9,994	11,178
Current assets			
Stocks	9	98,691	-
Trade and other receivables	10	36,297	35,557
Cash and cash equivalents	11	8,009	49,341
		142,997	84,898
Total assets		152,991	96,076
LIABILITIES			
Current liabilities			
Creditors: amounts falling due within one year	12	(3,161,948)	(2,464,184)
Total liabilities		(3,161,948)	(2,464,184)
Net current liabilities		(3,018,951)	(2,379,286)
Net liabilities		(3,008,957)	(2,368,108)
EQUITY			
Called up share capital	14	111	111
Share premium		281,932	281,932
Capital contribution		-	20,041
Retained earnings		(3,291,000)	(2,670,192)
Total equity		(3,008,957)	(2,368,108)

Registered number: 05024723

Approved for issue by the Board of Directors on 15 August 2017 and signed on its behalf by:


S M Winston
Director


N J K Wood
Director

The accompanying accounting policies and notes form part of these financial statements.

PERACHEM LIMITED

Statement of Changes in Equity
for the year ended 31 March 2017

	Share Capital £	Share Premium £	Capital Contribution £	Retained Earnings £	Total Equity £
At 1 April 2015	111	281,932	20,041	(2,442,568)	(2,140,484)
Total comprehensive loss for the year	-	-	-	(227,624)	(227,624)
At 1 April 2016	111	281,932	20,041	(2,670,192)	(2,368,108)
Total comprehensive loss for the year	-	-	-	(640,849)	(640,849)
Transfer to retained earnings	-	-	(20,041)	20,041	-
At 31 March 2017	111	281,932	-	(3,291,000)	(3,008,957)

PERACHEM LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

1 Corporate information

Perachem Limited is a limited company, registered in England and Wales. The address of the registered office is given on page 1. The nature of its operations is set out in the Director's Report.

2 Accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with applicable with United Kingdom accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') as they apply to financial statements for the year ended 31 March 2017 and as applied in accordance with the Companies Act 2006. The principal accounting policies adopted by the Group are set out in the following notes. These policies have been consistently applied to all periods presented unless otherwise stated.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial instruments;
- the requirements of Section 12 Other financial instruments;
- the requirements of Section 26 Share based payments; and
- the requirements of Section 33 Related party disclosures

The financial statements have been prepared on a historical cost basis, except where otherwise indicated. The financial statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.

(b) Going Concern

The financial statements are prepared on a going concern basis which assumes that the group will have sufficient funding to enable it to continue to operate for the foreseeable future. The company is engaged in the development of new technologies and is dependent on the continued support of its parent company, Perachem Holdings plc, to enable the completion of its projects through to commercial viability.

The company made a loss of £640,849 and had net current liabilities of £3,018,951, which included sums due to the parent of £3,089,000. The financial statements have been prepared on a going concern basis, notwithstanding the loss for the year ended 31 March 2017. The parent company has had a successful equity fund raise in Spring 2017 and has secured sufficient funding to proceed with planned operations. The parent company has provided written confirmation to the directors that for a period of at least twelve months it will not demand repayment of any amount due to it such as to preclude the Company from meeting its liabilities as and when they fall due.

The Directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and the ability of the group to generate sufficient cash depends on the group's ability to achieve these forecasts. Consequently, the Directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Revenue recognition and segmental reporting

Revenue represents the value of goods and services provided, excluding value added tax. Certain revenues are generated from licensing and exclusivity agreements under which the company grants third parties rights to certain products or technologies.

Revenue is recognised at the fair value of the consideration received or receivable. Upfront payments and other similar non-refundable payments received under these agreements are recorded as deferred revenue and are recognised in the profit and loss account over the performance period stipulated in the agreement.

Non-refundable royalty or exclusivity payments of fixed amounts received under these agreements are recorded as deferred revenue and are recognised in the profit and loss account as they fall due for payment.

The business is regarded as two segments; being the licensing and exclusivity royalty agreements and that of sale of hair care products.

PERACHEM LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2017**

2 Accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery - 20% on cost
Fixtures and fittings - 20% on cost
Computer equipment - 33% on cost

(e) Stocks

Stocks are valued at the lower of purchase cost and net realisable value, after making due allowance for obsolete and slow moving stocks.

(f) Taxation

Current tax is recognised for the amount of income tax payable or tax credit receivable in respect to the taxable profit or loss for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits (temporary differences) and is accounted for using the liability method.

A deferred tax asset or liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax asset or liability arises from (a) the initial recognition of goodwill or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

(g) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are only capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- technical feasibility of the completed intangible assets;
- the probability of future economic benefits;
- the reliable measure of costs;
- the ability and intention of the company to use or sell the intangible asset.

Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and are reviewed for an indication of impairment at each reporting date. Other development costs are charged against profit or loss as incurred since the criteria for their recognition as an asset are not met.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on technical development, testing and certification, materials consumed and any relevant third party cost. The costs of internally generated developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

No development costs to date have been capitalised as intangible assets.

PERACHEM LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

2 Accounting policies (continued)

(h) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

(i) Leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

(j) Share-based payments

Equity-settled and cash-settled share-based payments are issued to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

(k) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and comprise trade and other receivables, other financial assets, cash and cash equivalents.

- Trade receivables

Trade receivables are initially recognised at fair value which is normally the invoice value in short term receivables. Thereafter the receivables are carried at amortised cost. Provision is made where there is objective evidence that a balance will not be recovered in full in accordance with the instruments original terms. An impairment calculation is based on a comparison between the carrying amount and the net present value of expected future cash flows, discounted by the original effective rate.

- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits.

- Financial liabilities

Financial liabilities, which comprise trade and other payables, are initially recognised at fair value and are carried at amortised cost.

3 Critical accounting judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Share-based payments

The Group has issued share-based payments to certain employees and Directors. The cost of such awards is measured at fair-value at the date of grant and this expense is recognised on a straight-line basis over the vesting period. The determined fair value is a source of management estimation based on cost of services and the cost of recent share issues.

4 Revenue

Revenue is attributable to the two principal activities of the group, which are the sale of hair care products and revenue generated from licensing and exclusivity agreements. Non-refundable royalty or exclusivity payments of fixed amounts received under such agreements are recognised in the statement of comprehensive income as they fall due for payment.

Revenue represents the value of goods and services provided net of VAT.

	31 Mar 2017	31 Mar 2016
	£	£
Sale of hair care products	8,941	-
Royalty licencing agreements	1,404	5,218
	<u>10,345</u>	<u>5,218</u>

PERACHEM LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2017**

4 Revenue (continued)

An analysis of the revenue by geographical market is given below:

	31 Mar 2017	31 Mar 2016
	£	£
United Kingdom	10,151	1,725
Europe	194	3,493
	<u>10,345</u>	<u>5,218</u>

5 Employees and Directors

	31 Mar 2017	31 Mar 2016
	£	£
Wages and salaries	248,380	73,834
Social security costs	25,511	6,736
Pension costs	204	-
	<u>274,095</u>	<u>80,570</u>

	31 Mar 2017	31 Mar 2016
	£	£
Directors remuneration	<u>18,000</u>	<u>18,533</u>

The majority of the remuneration costs in respect to Directors of company was paid by the parent company.

The average number of employees, including directors, during the year was as follows:

	31 Mar 2017	31 Mar 2016
	Number	Number
Management, research and administration	<u>5</u>	<u>5</u>

6 Loss for the financial year

Loss for the Financial year has been arrived at after charging/(crediting):

	31 Mar 2017	31 Mar 2016
	£	£
Operating lease rent	36,187	18,100
Depreciation	3,456	3,071
Foreign exchange differences	-	(5)
Research and development costs	60,000	45,389
Cost of stocks charged as an expense	2,528	-
Auditor fees	<u>4,500</u>	<u>2,500</u>

7 Tax on loss on ordinary activities

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	31 Mar 2017	31 Mar 2016
	£	£
Current tax:		
UK corporation tax	(15,021)	(40,208)
Tax on loss	<u>(15,021)</u>	<u>(40,208)</u>

UK corporation tax has been charged at 20% (2016: 20%)

PERACHEM LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2017**

7 Tax on loss on ordinary activities (continued)

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31 Mar 2017 £	31 Mar 2016 £
Loss before tax	(655,870)	(267,832)
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	(131,174)	(53,566)
Effects of:		
Expenses not deductible for tax purposes	4,803	69
Capital allowances in excess of depreciation	-	(873)
R&D tax credits received in respect of earlier years	(15,021)	(40,208)
Tax losses carried forward	126,371	54,370
Total tax credit	(15,021)	(40,208)

Deferred tax assets are not recognised due to the uncertainty over timing of future profit generation to utilise the tax losses.

8 Property, plant and equipment

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 April 2016	33,817	1,900	10,248	45,965
Additions	-	-	2,271	2,271
At 31 March 2017	33,817	1,900	12,519	48,236
DEPRECIATION				
At 1 April 2016	29,599	995	4,193	34,786
Charge for the year	847	179	2,429	3,456
At 31 March 2017	30,446	1,174	6,622	38,242
NET BOOK VALUE				
At 31 March 2017	3,371	726	5,897	9,994
At 31 March 2016	4,218	905	6,055	11,178

9 Stocks

	31 Mar 2017 £	31 Mar 2016 £
Finished goods	98,691	-
	98,691	-

PERACHEM LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2017**

10 Trade and other receivables

	31 Mar 2017	31 Mar 2016
	£	£
Trade debtors	4,701	-
Amounts owed by group undertakings	-	-
Other debtors	-	5,391
VAT receivable	9,472	13,059
Prepayments	22,124	17,107
	<u>36,297</u>	<u>35,557</u>

The directors consider the trade receivables carrying amounts to approximate their fair value.

11 Cash and cash equivalents

	31 Mar 2017	31 Mar 2016
	£	£
Cash at bank and on hand	<u>8,009</u>	<u>49,341</u>

Cash balances are held with the HSBC Bank plc.

12 Creditors: Amounts falling due within one year

	31 Mar 2017	31 Mar 2016
	£	£
Amounts due to group undertakings	3,089,000	2,432,378
Trade creditors	54,498	22,868
Tax and social security	10,991	3,468
Pension	184	-
Accruals and deferred income	7,275	5,470
	<u>3,161,948</u>	<u>2,464,184</u>

13 Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

Group	31 Mar 2017	31 Mar 2016
	£	£
Within one year	20,316	16,465
Between one and five years	4,050	4,929
	<u>24,366</u>	<u>21,394</u>

On 21 June 2012, the company entered into a 5 year lease for new premises with annual rent of £16,465.

On 1 January 2016, the company entered into a 5 year lease for additional premises with an annual rent of £5,100. The lease contains a break clause provision whereby it can be terminated on 30 June 2017 by the company giving 6 months' notice. Perachem Limited exercised the break clause in December 2016 in order to enter into another lease with the same landlord for larger premises.

On 8 December 2016, the company entered into a 10 year lease for larger premises, with an annual rent of £16,200. The lease contains a break clause provision whereby it can be terminated on 7 June 2018 or 7 December 2019 by the company giving 6 months' notice.

14 Share capital

Authorised, issued and fully paid

	31 Mar 2017	31 Mar 2017	31 Mar 2016	31 Mar 2016
	Number	£	Number	£
Ordinary shares of £0.001	110,990	111	110,990	111
	<u>110,990</u>	<u>111</u>	<u>110,990</u>	<u>111</u>

PERACHEM LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2017**

15 Reserves

Reserves of the Group represent the follows:

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital contribution

The company received a capital contribution in previous years from its parent company in respect of share-based payment awards granted by the parent company to a former director of Perachem Limited. The share options related to this have all lapsed and has been transferred to retained earnings.

Retained earnings

Cumulative profit and loss net of distributions to owners

16 Related party transactions

The company has taken advantage of the exemption to not disclose related party transactions with its parent company.

17 Ultimate parent company

The ultimate parent company is Perachem Holdings plc. Copies of the consolidated accounts for the group can be obtained from First Floor, 55 Drury Lane, London, WC2B 8RZ. There is no overall controlling party.

18 Share-Based payment transactions

The company has taken advantage of the exemption under FRS 102 paragraph 1.12(d) to not disclose information relating to share options granted to directors and employees of the company on the basis that these relate to equity instruments of the parent company, Perachem Holdings plc and the relevant disclosures have been made in the consolidated financial statements of that company.