

Registered number: 05423245

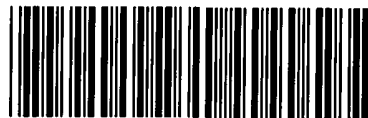
**AI2 LIMITED**

**UNAUDITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2017**

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**AI2 LIMITED**  
**REGISTERED NUMBER: 05423245**

**BALANCE SHEET**  
**AS AT 30 APRIL 2017**

	Note	2017 £	2016 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	1,358	1,535
Cash at bank and in hand	7	40,080	92,009
		<u>41,438</u>	<u>93,544</u>
Creditors: amounts falling due within one year	8	(64,336)	(32,387)
<b>Net current (liabilities)/assets</b>		<u>(22,898)</u>	<u>61,157</u>
<b>Total assets less current liabilities</b>		<u>(22,898)</u>	<u>61,157</u>
Creditors: amounts falling due after more than one year	9	(101,026)	(101,026)
<b>Net liabilities</b>		<u><u>(123,924)</u></u>	<u><u>(39,869)</u></u>
<b>Capital and reserves</b>			
Called up share capital	11	285,567	285,567
Share premium account		2,143,266	2,143,266
Profit and loss account		(2,552,757)	(2,468,702)
		<u><u>(123,924)</u></u>	<u><u>(39,869)</u></u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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 on 24 January 2018.

**Dr CB Dobson**  
Director



24.1.18

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## AI2 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

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#### 1. General information

The principal activity of Ai2 Limited ("the Company") is the development of anti-microbial peptide products.

The Company is a private company limited by shares and is incorporated in England. The registered office and principal place of business is The Manchester Incubator Building, Grafton Street, Manchester, M13 9XX. The registered number is 05423245.

#### 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 Going concern

The financial statements have been prepared on a going concern basis. The Company made a loss in the year of £84,055 (2016 - £132,353) and at the balance sheet date has net liabilities of £123,924 (2016 - £39,869).

The directors have taken steps to reduce the scale of the Company's operating activities and the two major shareholders have agreed to defer payment of their management fees in order that the company can meet its liabilities as they fall due. Accordingly they consider it appropriate to prepare the Company's financial statements on a going concern basis.

##### 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.

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## AI2 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

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#### 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:

Scientific equipment	- 33% straight line
Office & computer equipment	- 33% straight line

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 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.

##### 2.6 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.

##### 2.7 Creditors

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

##### 2.8 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is Sterling.

###### 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.

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**AI2 LIMITED**

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

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**2. Accounting policies (continued)**

**2.9 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.

**2.10 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

**2.11 Interest income**

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

**2.12 Borrowing costs**

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

**3. Employees**

The average monthly number of employees, including directors, during the year was 4 (2016 - 6).

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AI2 LIMITED

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

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4. Intangible assets

	Intellectual property rights £
<b>Cost</b>	
At 1 May 2016	35,000
At 30 April 2017	<u>35,000</u>
<b>Amortisation</b>	
At 1 May 2016	35,000
At 30 April 2017	<u>35,000</u>
<b>Net book value</b>	
At 30 April 2017	<u>-</u>
At 30 April 2016	<u>-</u>

**AI2 LIMITED**

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

**5. Tangible fixed assets**

	Office & computer equipment £
At 1 May 2016	9,797
Disposals	(9,797)
At 30 April 2017	-
At 1 May 2016	9,797
Disposals	(9,797)
At 30 April 2017	-
<b>Net book value</b>	
At 30 April 2017	-
At 30 April 2016	-

**6. Debtors**

	2017 £	2016 £
Other debtors	127	337
Prepayments and accrued income	1,231	1,198
	<u>1,358</u>	<u>1,535</u>

**7. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	40,080	92,009
	<u>40,080</u>	<u>92,009</u>

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AI2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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8. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	9,103	11,024
Accruals and deferred income	55,233	21,363
	<u>64,336</u>	<u>32,387</u>

9. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Convertible loan notes	50,000	50,000
Accruals and deferred income	51,026	51,026
	<u>101,026</u>	<u>101,026</u>

The loan notes are convertible into 'B' Ordinary shares of £0.01 each on or after 22 December 2020 at the election of the noteholder. The loan notes attract interest at 8% per annum.

10. Deferred taxation

As at 30 April 2017, the company calculated that it had tax losses to carry forward of £1.8m (2016 - £1.7m).

No deferred tax asset has been recognised in the accounts in respect of these losses due to the uncertainty over the timing of taxable profits in the future.



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**AI2 LIMITED**

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

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**11. Share capital**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
12,472 Ordinary shares of £0.01 each	124	124
10,574 'A' Ordinary shares of £0.01 each,	106	106
43,987 'B' Ordinary shares of £0.01 each	440	440
499 Preference penny shares of £0.01 each	5	5
284,892 Redeemable preference shares of £1 each	284,892	284,892
	<hr/>	<hr/>
	285,567	285,567
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Preference shares are redeemable at the option of the Company at £0.01 per share.

**12. Share based payments**

The Company has granted options to acquire a total of 2,750 ordinary shares to four members of the management team, two of who are directors and 2,100 of which remained unexercised at the beginning and end of the year. The directors held 2,050 of these options at the beginning and end of the year. None of the options were exercised in the year.

**13. Related party transactions**

During the year, consultancy fees and expenses of £3,577 (2016 - £5,978) were charged by KDS Associates, of which KA D'Silva is a proprietor. At the year end, the amount owed to KDS Associates was £66 (2016 - £2,000).

During the year consultancy fees of £18,000 (2016 - £12,000) were paid to D Henderson, a director and shareholder. At the year end the amount owed to D Henderson was £Nil (2016 - £Nil).

During the year, consultancy fees of £15,000 (2016 - £16,050) were charged by MTI Partners Limited, a shareholder of Ai2 Limited and a company in which D Holbrook is a director. At the year end, the amount owed to MTI Partners Limited was £28,250 (2016 - £14,250).

During the year, fees of £15,000 (2016 - £16,500) were charged by Spark Impact Limited, a company with a common director to NWF4B Directors Limited and the management company of NWF (Biomedical) LP which is a shareholder. At the year end, the amount owed to Spark Impact Limited was £28,250 (2016 - £14,250).

During the year, interest of £4,000 (2016 - £1,333) was charged on the convertible loan of £50,000 outstanding at the beginning and end of the year. The loan note is held by NWF (Biomedical) LP, a shareholder.

**14. First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

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**AI2 LIMITED**

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