

Registered number 5568643

Medalytix (Group) Limited
Abbreviated annual report and financial statements
for the year ended 31 August 2011

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Medalytix (Group) Limited

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Medalytix (Group) Limited

Independent auditors' report to Medalytix (Group) Limited

We have examined the abbreviated accounts set out on pages 2 to 9, together with the financial statements of Medalytix (Group) Limited for the year ended 31 August 2011 prepared under section 396 of the Companies Act 2006

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the company for the purpose of section 449 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

Opinion

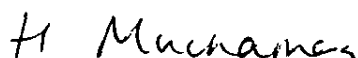
In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

Other information

On 13 December 2011 we reported as auditor to the members of the company on the financial statements prepared under section 396 of the Companies Act 2006 and our report included the following paragraph:

Emphasis of matter

In forming our audit opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made by the directors in the "Notes to the Financial Statements – Note 1 Accounting Policies: Going concern", concerning the company's ability to continue as a going concern. The company incurred a net loss of £414,605 during the year ended 31 August 2011. These conditions, along with other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Hazel Macnamara (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
13 December 2011

Medalytix (Group) Limited

Abbreviated balance sheet as at 31 August 2011

	Note	2011 £	2010 £
Fixed assets			
Intangible assets	2	261,232	202,216
Tangible assets	3	50,386	56,125
Investments	4	2	2
		311,620	258,343
Current assets			
Debtors	5	631,095	599,623
Cash at bank and short-term deposits		215,396	263,651
		846,491	863,274
Creditors: Amounts falling due within one year	6	(121,664)	(120,565)
Net current assets		724,827	742,709
Total assets less current liabilities		1,036,447	1,001,052
Net assets		1,036,447	1,001,052
Capital and reserves			
Called up share capital	7	659,959	656,209
Share premium account	8	2,505,501	2,059,251
Profit and loss account	8	(2,129,013)	(1,714,408)
Total shareholders' funds	9	1,036,447	1,001,052

The company's registered name and number with Companies House is Medalytix (Group) Limited, 5568643

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements on pages 2 to 9 were approved by the Board of directors on 13 December 2011 and were signed on its behalf by


Mr C Willis
Director

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011

1 Accounting policies

Basis of accounting

The abbreviated financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE) (effective April 2008). The principal accounting policies are summarised below, they have all been applied consistently through the current and preceding years.

Going concern

The company provides funding for its wholly owned subsidiary Medalytix Limited (together referred to as the Group). For the purposes of assessing the basis of preparation of these financial statements the directors have considered the Group as a whole as this better reflects this overall position. The company has committed to provide financial support to Medalytix Limited as required.

The Group continues to undertake a phase of product commercialisation in advance of generating planned revenues. Accordingly, during the year ended 31 August 2011, the Group incurred losses of £490,833 and absorbed £508,467 of cash resulting in a final cash balance of £220,621. During the year ended 31 August 2011, the company incurred after tax losses of £414,605 with a cash outflow of £498,255, cash outflow net of additional share capital of £48,255 and had a final cash balance of £215,396.

The directors have prepared detailed cash flow forecasts for the next 12 months which show that the Group will have adequate cash to meet its requirements during the forecast period. These forecasts reflect the considerable reductions in costs that the directors have achieved to date. However the forecasts also assume cash receipts from sales that have not yet been secured and the directors recognise that having regard to the Group's stage of development there is a risk that the forecast sales may be delayed or not take place. If the forecast sales are delayed or do not take place the company is likely to require additional cash funding from an external source.

Certain existing shareholders have indicated that they will provide additional investment as required. The directors also believe that other sources of finance may be available but at this time they have only had preliminary discussions concerning these.

Taking account of the above the directors believe that for the foreseeable future the Group will be able to meet all its obligations as they fall due and accordingly continue to prepare financial statements on the going concern basis.

However there is no certainty that sufficient additional funding will be available to the company and should the Group fail to make the forecast sales and alternative sources of funding are not available then the company and its subsidiary may not be able to continue in operational existence. In these circumstances the company's assets may not be realised at their carrying value and additional liabilities may arise.

These conditions indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Equipment	-	33 33% on reducing balance
Intangible assets	-	straight line over 10 years. No residual value assumed

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

1 Accounting policies (continued)

Intangible assets

Algorithm development and patent expenditure is capitalised as the expenditure relates to the development of the assets utilised in the business in the current and future years. Amortisation commenced in the prior year to be consistent with the commencement of sales of the product. The amortisation period is ten years with no residual value.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Government grants

Grants are credited to the profit and loss account so as to match them with the expenditure to which they relate and only when the conditions of receipt have been complied with and there is reasonable assurance the grant will be received.

Share based payments

Certain employees have been granted options over the share capital of the company through an equity settled, share based payment arrangement. In accordance with the FRSSE, no charge is recognised in the profit and loss account in relation to the options on the basis that the exercise consideration to be received is at least equal to the estimated fair value of the options at the date of grant. When share options are exercised, the proceeds of share issues are recognised in equity, with the nominal value being taken to share capital and any further consideration being recognised in share premium.

Related Party Disclosures

The company is exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the group.

Foreign currency transactions

Each monetary asset, liability, revenue or cost arising from a transaction denominated in a foreign currency is translated into the local currency at the exchange rate in operation on the date on which the transaction occurred. Exchange gains and losses are taken to the profit and loss account.

Consolidated financial statements

The company has taken advantage of the exemption in section 398 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, on the grounds that it is a small sized group.

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

2 Intangible fixed assets

	£
Cost	
At 1 September 2010	222,556
Additions	85,634
At 31 August 2011	308,190
Accumulated amortisation	
At 1 September 2010	20,340
Charge for the year	26,618
At 31 August 2011	46,958
Net book value	
At 31 August 2011	261,232
At 31 August 2010	202,216

Intangibles relate to algorithm development and patent application costs

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

3 Tangible fixed assets

	Equipment £
Cost	
At 1 September 2010	76,677
Additions	18,776
At 31 August 2011	95,453
Accumulated Depreciation	
At 1 September 2010	20,552
Charge for the year	24,515
At 31 August 2011	45,067
Net book value	
At 31 August 2011	50,386
At 31 August 2010	56,125

4 Investments

	£
Cost and net book value	
At 1 September 2010 and 31 August 2011	2

The company owns 100% of the issued share capital of Medalytix Limited

The company also owns 100% of the issued share capital of Medalytix 101 Limited

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

5 Debtors

	2011 £	2010 £
Amounts owed by group undertakings	631,095	597,394
VAT recoverable	-	2,229
	631,095	599,623

The amounts owed by group undertakings are unsecured, interest free and with no fixed repayment date

6 Creditors: Amounts falling due within one year

	2011 £	2010 £
Trade creditors	54,382	44,693
Taxation and social security	2,651	9,899
Accruals and deferred income	64,631	65,973
	121,664	120,565

7 Called up share capital

Allotted and fully paid:	2011 No	2011 £	2010 No	2010 £
Ordinary shares of £1 each	10,987	10,987	7,237	7,237
Deferred shares of £1 each	648,972	648,972	648,972	648,972
	659,959	659,959	656,209	656,209

On 13 June 2011, 1250 ordinary shares were issued for cash. The nominal value of these shares was £1,250 and the consideration received was £150,000.

On 17 December 2010 2,500 ordinary shares were issued for cash. The nominal value of these shares was £2,500 and the consideration received was £300,000.

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

8 Reserves

	Share premium account £	Profit and loss account £
At 1 September 2010	2,059,251	(1,714,408)
Loss for the financial year	-	(414,595)
Premium on ordinary shares issued	446,250	-
At 31 August 2011	2,505,501	(2,129,013)

9 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	(414,605)	(542,133)
Net proceeds of issue of ordinary share capital	450,000	-
Net additions to/(reduction in) shareholders' funds	35,395	(542,133)
Opening shareholders' funds	1,001,052	1,543,185
Closing shareholders' funds	1,036,447	1,001,052

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

10 Ultimate parent undertaking and controlling party

The company had the following controlling parties at 31st August 2011

	Voting rights
Rising Stars Growth Fund	29.43%
Alliance Fund Managers Nominees Limited	22.34%
Corporacion Empresarial ONCE SA	19.01%
Hotspur Capital shareholders	20.92%
Other shareholders	8.30%

None of the shareholders had ultimate control over the company

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

8 Debtors

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Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

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Opening shareholders' funds	1,001,052	1,543,185
Closing shareholders' funds	1,036,447	1,001,052

13 Share based payments

	£
Share options outstanding as at 1 September 2010	991
Share options outstanding as at 31 August 2011	2,128

The share options are not considered material for any further disclosure

Medalytix (Group) Limited

Notes to the financial statements for the year ended 31 August 2011 (continued)

14 Ultimate parent undertaking and controlling party

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