

REGISTERED NUMBER: 06166938 (England and Wales)

CALON CARDIO-TECHNOLOGY LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Bevan & Buckland
Chartered Accountants
And Statutory Auditors
Langdon House
Langdon Road
SA1 Swansea Waterfront
Swansea
SA1 8QY

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Page
Company Information	1
Balance Sheet	2
Notes to the Financial Statements	3

CALON CARDIO-TECHNOLOGY LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS: Professor S Westaby
Prof R M Clement
R J Petersen
S B McConchie

SECRETARY: Mrs N Wild

REGISTERED OFFICE: Institute of Life Science
Swansea University
Singleton Park
Swansea
SA2 8PP

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AUDITORS: Bevan & Buckland
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**BALANCE SHEET
31 DECEMBER 2017**

	Notes	2017 £	£	2016 £	£
FIXED ASSETS					
Patents	4		59,102		75,907
Tangible assets	5		<u>112,746</u>		<u>111,890</u>
			171,848		187,797
CURRENT ASSETS					
Debtors	6	22,427		49,112	
Cash at bank and in hand		<u>13,649</u>		<u>167,716</u>	
		36,076		216,828	
CREDITORS					
Amounts falling due within one year	7	<u>1,449,477</u>		<u>630,256</u>	
NET CURRENT LIABILITIES			<u>(1,413,401)</u>		<u>(413,428)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,241,553)		(225,631)
CREDITORS					
Amounts falling due after more than one year	8		<u>12,500</u>		<u>-</u>
NET LIABILITIES			<u>(1,254,053)</u>		<u>(225,631)</u>
CAPITAL AND RESERVES					
Called up share capital			21,943		22,299
Share premium			8,014,792		7,535,122
Fair value reserve	10		1,180,350		1,207,800
Retained earnings			<u>(10,471,138)</u>		<u>(8,990,852)</u>
SHAREHOLDERS' FUNDS			<u>(1,254,053)</u>		<u>(225,631)</u>

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors on 18 April 2018 and were signed on its behalf by:

Prof R M Clement - Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. STATUTORY INFORMATION

Calon Cardio-Technology Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of four years.

Amortisation is charged to the income statement.

Assets are reviewed for impairment and any impairment losses are charged to the income statement. Any impairment loss recognised is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Tangible fixed assets

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

Plant and machinery	- Straight line over 4 years
Fixtures and fittings	- Straight line over 4 years
Computer equipment	- Straight line over 4 years

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Assets are reviewed for impairment and any impairment losses are charged to the income statement. Any impairment loss recognised is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development the asset is tested for impairment annually.

Research and development tax credits are recognised on receipt.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Where equity-settled arrangements are modified, and are of the benefit to the employee, the incremental fair value is recognised over the period from the date of modification to the date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for the share-based payment.

The company has no cash-settled arrangements.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES - continued

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Any losses arising from impairment are recognised in the income statement.

Creditors

Short term creditors are measured at transaction price.

Provision for liabilities

Provisions are recognised when the company has a present obligation (legal and constructive) from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Functional and presentation currency

The company's functional and presentation currency is pounds sterling.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 15 (2016 - 16) .

4. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 January 2017	264,438
Additions	<u>33,855</u>
At 31 December 2017	<u>298,293</u>
AMORTISATION	
At 1 January 2017	188,531
Amortisation for year	<u>50,660</u>
At 31 December 2017	<u>239,191</u>
NET BOOK VALUE	
At 31 December 2017	<u>59,102</u>
At 31 December 2016	<u>75,907</u>

All intangible assets relate to patents.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2017	184,538	57,168	48,049	289,755
Additions	63,867	-	890	64,757
Disposals	-	(96)	-	(96)
At 31 December 2017	<u>248,405</u>	<u>57,072</u>	<u>48,939</u>	<u>354,416</u>
DEPRECIATION				
At 1 January 2017	120,600	17,741	39,524	177,865
Charge for year	<u>48,302</u>	<u>11,259</u>	<u>4,244</u>	<u>63,805</u>
At 31 December 2017	<u>168,902</u>	<u>29,000</u>	<u>43,768</u>	<u>241,670</u>
NET BOOK VALUE				
At 31 December 2017	<u>79,503</u>	<u>28,072</u>	<u>5,171</u>	<u>112,746</u>
At 31 December 2016	<u>63,938</u>	<u>39,427</u>	<u>8,525</u>	<u>111,890</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Other debtors	<u>22,427</u>	<u>49,112</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	1,016,050	451,757
Taxation and social security	43,687	33,004
Other creditors	<u>389,740</u>	<u>145,495</u>
	<u>1,449,477</u>	<u>630,256</u>

Included in other creditors are contributions of £2,692 (2016: £1,965) due to the defined contribution pension scheme operated by the company.

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

	2017 £	2016 £
Other creditors	<u>12,500</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. LEASING AGREEMENTS

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

	2017 £	2016 £
Within one year	431	17,156
Between one and five years	-	431
	<u>431</u>	<u>17,587</u>

10. RESERVES

	Fair value reserve £
At 1 January 2017	1,207,800
Share option revision	<u>(27,450)</u>
At 31 December 2017	<u>1,180,350</u>

Fair value reserves represents the fair value of share based payment transactions under taken during 2016. During the year the estimate of the number of equity instruments expected to vest was revised as a result of new information arising which indicated that the number of equity instruments expected to vest would be different to previous estimates.

11. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan & Buckland

12. CAPITAL COMMITMENTS

	2017 £	2016 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>37,996</u>

13. RELATED PARTY DISCLOSURES

Included in expenses is a charge of £246,000 relating to consultancy services provided by directors of the company.

Included in creditors are amounts totalling £514,050 owed to the directors of the company. The amounts are interest free and repayable on demand.

14. ULTIMATE CONTROLLING PARTY

The directors consider there to be no ultimate controlling party.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. SHARE-BASED PAYMENT TRANSACTIONS

The company established a Share Option Scheme in 2009. Currently there are 38,000 share options outstanding granted under this scheme with an exercise price of £0.05 per ordinary share. There are no performance conditions and options can only be exercised within 10 years of grant in accordance with the Option Scheme.

The company established a new EMI and Unapproved Share Option scheme in 2016. 220,000 share options were issued under the new scheme with an exercise price of £0.01 per ordinary share. There were no performance conditions and options could only be exercised within 10 years of grant in accordance with the Option Scheme. During the year 5,000 options lapsed.

Between the two schemes options are held by 17 individuals or companies, of which 9 are current directors or companies that the directors are connected and employees of the company.

At 31 December 2017 the company had warrants in issue of:

A Ordinary	@	£3.63	-	30,600	
A Ordinary	@	£4.50	-	8,800	
A Ordinary	@	£4.70	-	3,435	
A Ordinary	@	£5.00	-	11,592	
A Ordinary	@	£5.25	-	7,696	
A Ordinary	@	£5.50	-	96,088	
A Ordinary	@	£0.01	-	17,267	Equity Sweeteners
B Preference	@	£3.63	-	20,600	
B Preference	@	£4.50	-	12,235	
B Preference	@	£5.00	-	12,250	
B Preference	@	£0.01	-	14,909	Equity Sweeteners

16. SHARE CAPITAL

Included in share capital and share premium is an amount of £3,223 and £1,646,768 respectively in relation to B loan notes from the Development Bank for Wales which is secured by a charge over the company's assets. The loan holders have the right to serve a Conversion Notice on the Company at any time to convert all of the outstanding B loan notes into fully paid B Preferred Ordinary shares at £5 per share on the conversion date. The loan notes are interest free and are to be repaid or converted by 31 December 2018.

The Development Bank of Wales hold a fixed and floating charge over all assets of the company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.