

**Base4 Innovation Limited**

Annual report and financial statements

Registered number 06389614

31 December 2018



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## Directors' report

The Company remains focused on the development of genetic sequencing technology and the loss for the year arises exclusively from continued investment in that technology.

### Proposed dividend

The directors do not recommend the payment of a dividend (2017: *£nil*).

### Directors

The directors who held office during the year were as follows:

Cameron Frayling  
Matthew Frohn  
Manfred Baier (resigned 10 January 2018)  
William Moffitt III  
Peter Norman  
Barnaby Balmforth

### Going concern

The Company made a loss of £4,815,694 in the year to 31 December 2018 (2017: £4,575,450), had operating cash outflow of £3,139,743 (2017: £3,763,972), net current assets of £1,393,391 as at 31 December 2018 (2017: £4,473,339) and had cash of £720,087 (2016: £3,859,830) at 31 December 2018.

As at 30 June 2019 the Company had cash of £329,725 and net assets of £1,611,563.

The Company has continued to invest exclusively in research and development of sequencing technology during and since the financial year ending 31 December 2018 and, until the conversion of this into a significant revenue stream is completed, it relies on continued shareholder funding. The technology continues to be developed with the potential to achieve results over the course of 2019/2020 which can secure the support of a corporate partner to help develop the technology into a marketable device. The Company will require the continued support of investors to develop the technology and build an infrastructure to deliver the final product to market. In the event that results and data are not at a level to secure a development partner, further investment will be required by the shareholders and incoming investors to continue development work.

The Company has raised additional funding of £1.195m in April 2019 and a further £1.25m in August 2019. Based on current run-rates this funding will support the Company through to August 2020 at which point further funding will be required to continue development work. Fundraising is an ongoing process for the management team who continue to develop new investor relationships in advance of future funding rounds and a new funding round will likely commence in Spring 2020 with a view to securing additional funds before Summer 2020. The Directors have a reasonable expectation, as research is progressing as planned and is regularly communicated to shareholders, that the required levels of funding to support the Company's planned growth will be obtained. However, at this point there can be no certainty as to the timing and quantum of these future funding rounds.

As a result of these conditions the Directors have identified a material uncertainty exists that may cast significant doubt over the Company's ability to continue as a going concern, and that therefore the Company may be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, based on discussions with investors to date, and the past history of obtaining investor financing, the Directors have a reasonable expectation that the Company will be successful in obtaining the additional financing required to continue in operational existence for at least 12 months from the date of signing of the financial statements. For these reasons, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

### Employment and environmental matters

It is company policy to comply with all relevant legislation and regulations relating to the workplace including health and safety regulations, employment legislation and environmental regulations concerning the treatment of laboratory waste.

## Directors Report *(continued)*

### Political contributions

The Company made no political donations (2017: £nil) or incurred any political expenditure (2017: £nil) during the year.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

### Directors' and officers' indemnity insurance

The company has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company and of any subsidiary, associate or joint venture. This cover indemnifies all employees who serve on the board of the company. These indemnity policies subsisted throughout the year and remain in place at the date of this report

### Small companies regime

The directors have taken advantage of the Small Companies Regime of the Companies Act.

By order of the board



Cameron Frayling  
Director

Broers Building  
21 JJ Thomson Avenue  
Cambridge  
CB3 0FA

18 September 2019

## Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 judgements and estimates that are reasonable and prudent; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASE4 INNOVATION LIMITED**

### **Opinion**

We have audited the financial statements of Base4 Innovation Limited (the 'company') for the year ended 31 December 2018, which comprise Profit and Loss account and Other Comprehensive Income, Balance sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at the 31 December 2018 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1.2 in the financial statements, which indicates that the company incurred a net loss of £4,815,694 during the year ended 31 December 2018 and as stated in note 1.2, these events or conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Independent auditor's report to the members of Base4 Innovation Limited (continued)**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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
- the directors' report has been prepared in accordance with applicable legal requirements.

**Matter on which we are required to report under the Companies Act 2006**

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 material misstatements in the directors' report.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which 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' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibility for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Independent auditor's report to the members of Base4 Innovation Limited (continued)**

**Use of our report**

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.

*Grant Thornton UK LLP*

Alison Seekings  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants  
**23<sup>rd</sup> September 2019**



**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2018*

	<i>Note</i>	2018 £	2017 £
Administrative expenses	2	(5,635,186)	(5,367,145)
<b>Operating loss</b>		<b>(5,635,186)</b>	<b>(5,367,145)</b>
Other interest receivable and similar income		5,234	2,429
<b>Loss before taxation</b>		<b>(5,629,952)</b>	<b>(5,364,716)</b>
Tax on loss	5	814,258	789,266
<b>Loss for the financial year</b>		<b>(4,815,694)</b>	<b>(4,575,450)</b>
 Other comprehensive income for the year, net of income tax		 (4,815,694)	 (4,575,450)
<b>Total comprehensive income for the year</b>		<b>(4,815,694)</b>	<b>(4,575,450)</b>

All the amounts reported in the profit and loss account relate to continuing operations.

## Balance Sheet

*At 31 December 2018*

	<i>Note</i>	<b>2018</b> £	<b>2017</b> £
<b>Fixed assets</b>			
Tangible assets	6	467,868	463,901
<b>Current assets</b>			
Debtors	7	966,754	979,573
Cash at bank and in hand		720,087	3,859,830
		<u>1,686,841</u>	<u>4,839,403</u>
Creditors: amounts falling due within one year	8	(293,450)	(366,064)
<b>Net current assets</b>		<u>1,393,391</u>	<u>4,473,339</u>
Creditors: amounts falling due in more than one year	9	(51,415)	-
		<u>1,809,844</u>	<u>4,937,240</u>
<b>Total assets less Total liabilities</b>		<u>1,809,844</u>	<u>4,937,240</u>
<b>Capital and reserves</b>			
Called up share capital	11	45	43
Share premium account		21,305,132	21,305,132
Other reserves		2,776,654	1,088,358
Profit and loss account		(22,271,987)	(17,456,293)
		<u>1,809,844</u>	<u>4,937,240</u>
<b>Shareholders' funds</b>		<u>1,809,844</u>	<u>4,937,240</u>

The financial statements have been prepared in accordance with the provision of part 15 of The Companies Act 2006 relating to small entities.

These financial statements were approved by the board of directors on 18<sup>th</sup> September 2019 and were signed on its behalf by:



**Cameron Frayling**  
*Director*

Company registered number: 06389614

## Statement of Changes in Equity

	Called up Share capital	Share Premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 January 2017	21	15,327,354	267,145	(12,880,843)	2,713,677
Loss for the year	-	-	-	(4,575,450)	(4,575,450)
Issue of shares	22	5,977,778	-	-	5,977,800
Equity-settled share based payment transactions	-	-	821,213	-	821,213
Balance at 31 December 2017	43	21,305,132	1,088,358	(17,456,293)	4,937,240

	Called up Share capital	Share Premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 January 2018	43	21,305,132	1,088,358	(17,456,293)	4,937,240
Loss for the year	-	-	-	(4,815,694)	(4,815,694)
Issue of shares	2	-	-	-	2
Equity-settled share based payment transactions	-	-	1,688,296	-	1,688,296
Balance at 31 December 2018	45	21,305,132	2,776,654	(22,271,987)	1,809,844

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Base4 Innovation Limited (the "Company") is a private company, limited by shares and incorporated, domiciled and registered in England in the UK. The registered number is 06389614 and the registered address is Broers Building, 21 JJ Thomson Avenue, Cambridge, CB3 0FA.

These financial statements were prepared in accordance with Section 1A of Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102 1A*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The Company made a loss of £4,815,694 in the year to 31 December 2018 (2017: £4,575,450), had operating cash outflow of £3,139,743 (2017: £3,763,972), net current assets of £1,393,391 as at 31 December 2018 (2017: £4,473,339) and had cash of £720,087 (2017: £3,859,830) at 31 December 2018.

The Company has continued to invest exclusively in research and development of sequencing technology during and since the financial year ending 31 December 2018 and, until the conversion of this into a significant revenue stream is completed, it relies on continued shareholder funding. The technology continues to be developed with revenues expected to commence in 2020, and the Company will require the continued support of investors to develop the technology and build an infrastructure to deliver the final product to market. The Company is involved in continuing discussions with corporate and institutional investors to secure funding to take the Company through to revenue generation but these discussions are not yet finalised at the date of the signing of these financial statements.

In order to assess the support required from investors the directors regularly prepare and review forecasts of future cash requirements. To meet the Company's ongoing cash needs during this development phase additional funding will be required from the Company's investors within 12 months of the signing of these financial statements. The cash balance at 31 August 2019 (£1,218,020) and other receivable balances of £503,888 will support ongoing trading until September 2020 based on the current spending run-rate which should be sufficient time to complete the next fundraising. However there are a number of potentially mitigating actions that can be taken including limiting spend in some areas of the business and securing new grant funding which could extend this period by 2-3 months if necessary.

The Directors have a reasonable expectation, as research is progressing as planned and is regularly communicated to shareholders, that the required levels of funding to support the Company's planned growth will be obtained. Funding discussions are ongoing with existing investors with a view to securing funding in excess of the Company's ongoing cash needs for the 12 months from the signing of these financial statements. It is anticipated that this funding will be secured before Summer 2020. However at this point there can be no certainty as to the final quantum, final sources and timing of this expected investment. This next fundraising is expected to secure funding to continue development of the instrument to a stage where it is producing sufficient data to secure either a partnership agreement with a major instrument developer or to secure significant direct funding with which is required to take the development stage through to a marketable instrument.

As a result of these conditions the Directors have identified a material uncertainty exists that may cast significant doubt over the Company's ability to continue as a going concern, and that therefore the Company may be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, based on discussions with investors to date, and the past history of obtaining investor financing, the Directors have a reasonable expectation that the Company will be successful in obtaining the additional financing required to continue in operational existence for at least 12 months from the date of signing of the financial statements. For these reasons, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.4 Basic financial instruments

##### *Trade and other debtors / creditors*

Other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Laboratory Plant and Equipment - 5 years
- Office Equipment - 3 years
- Leasehold Improvements - 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### 1.6 Intangible assets, goodwill and negative goodwill

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### 1.8 Expenses

##### Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets will only be recognised to the extent that they can offset future taxable profits.

### 2 Expenses

Included in the loss are the following:

	2018 £	2017 £
Research and development expensed as incurred, including wages and salaries	2,450,771	5,153,017
Depreciation	204,686	214,128
Auditor's remuneration in respect of:		
Audit of these financial statements	8,800	8,000
Tax compliance services	2,750	2,750
Tax advisory services	9,200	-
	<hr/>	<hr/>

## Notes (continued)

### 3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Research and development	28	31
Management and administration	4	4
	<u>32</u>	<u>35</u>

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	1,584,479	1,664,004
Social security costs	164,876	159,808
Share based payment expense	1,688,296	821,213
Contributions to defined contribution plans	68,637	63,463
	<u>3,506,288</u>	<u>2,708,488</u>

### 4 Directors' remuneration

	2018 £	2017 £
Directors' remuneration	234,992	178,000
Pension contributions	10,615	-
	<u>245,607</u>	<u>178,000</u>

	Number of directors	
	2018	2017
The number of directors who exercised share options was	0	0
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	2	2
	<u>2</u>	<u>2</u>

### 5 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £	2017 £
<i>Current tax</i>		
Current tax on income for the period	814,258	789,266
Total current tax	<u>814,258</u>	<u>789,266</u>
Total tax	<u>814,258</u>	<u>789,266</u>

## Notes (continued)

### 5 Taxation (continued)

	£	2018 £	£	£	2017 £	£
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	(814,258)	-	(814,258)	(789,266)	-	(789,266)
Total tax	(814,258)	-	(814,258)	(789,266)	-	(789,266)

### Reconciliation of effective tax rate

	2018 £	2017 £
Loss for the year	(4,815,694)	(4,575,450)
Total tax credit	814,258	789,266
Loss excluding taxation	(5,629,952)	(5,364,716)
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	(1,069,691)	(1,032,524)
Effect of fixed asset differences	-	175
Effect of expenses not deductible for tax purposes	9,288	173,541
Effect of additional deduction for R&D expenditure	(599,295)	(592,140)
Effect of surrender of tax losses for R&D credit refund	251,122	258,366
Effect of deferred tax not recognised	594,318	403,316
Total tax charge / (credit) included in profit or loss	(814,258)	(789,266)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.



## Notes (continued)

### 6 Tangible fixed assets

	S/Term Leasehold Property £	Fixtures & Fittings £	Lab Equipment £	Total £
<b>Cost</b>				
Balance at 1 January 2018	152,379	252,083	1,188,396	1,592,858
Additions	3,684	6,582	198,387	208,653
	<u>156,063</u>	<u>258,665</u>	<u>1,386,783</u>	<u>1,801,511</u>
Balance at 31 December 2018				
<b>Depreciation</b>				
Balance at 1 January 2018	138,820	212,627	777,510	1,128,957
Charge for the year	10,277	32,097	162,312	204,686
	<u>149,097</u>	<u>244,724</u>	<u>939,822</u>	<u>1,333,643</u>
Balance at 31 December 2018				
<b>Net book value</b>				
At 31 December 2017	13,559	39,456	410,886	463,901
	<u>6,966</u>	<u>13,941</u>	<u>446,961</u>	<u>467,868</u>
At 31 December 2018				

### 7 Debtors

	2018 £	2017 £
Other debtors	879,231	886,498
Prepayments and accrued income	87,523	93,075
	<u>966,754</u>	<u>979,573</u>

### 8 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	133,913	277,647
Taxation and social security	57,904	59,989
Other creditors	44,447	-
Accruals and deferred income	57,186	28,428
	<u>293,450</u>	<u>366,064</u>

**9 Creditors: amounts falling due after one year**

	2018 £	2017 £
Hire Purchase Creditor payable in more than one year	51,415	-
	<u>51,415</u>	<u>-</u>

**10 Employee benefits**

*Share based payments*

All employees are eligible for a grant of options once they have been in service for 12 months. The options vest incrementally over a period of three years' service. There are no performance conditions attached to the options.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2018	Number of options 2018	Weighted average exercise price 2017	Number of options 2017
Outstanding at the beginning of the year	£6.55	203,230	6.91	212,980
Forfeited during the year	£6.55	(203,230)	-	-
Exercised during the year	-	-	-	-
Granted during the year	£1.00	399,760	-	-
Lapsed during the year	£1.00	(10,800)	-	-
Expired during the year	-	-	£14.43	9,750
	<u>£1.00</u>	<u>388,960</u>	<u>£6.55</u>	<u>203,230</u>
Outstanding at the end of the year	£1.00	388,960	£6.55	203,230
	<u>£1.00</u>	<u>200,984</u>	<u>£8.32</u>	<u>123,724</u>

The expected volatility is calculated based on the weighted average remaining life of the share options, adjusted for any expected changes to future volatility due to publicly available information.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2018 £	2017 £
Total share based payment expense	1,688,096	821,213
	<u>1,688,096</u>	<u>821,213</u>

The Black-Scholes model was used to value the expense of share based payments made in the year.

## Notes (continued)

### 11 Share Capital

#### Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
4,462,402 ordinary shares of £0.00001 each (2017: 4,261,402 shares)	45	43
5,000 Deferred shares of £0.00001 each (2017: 5,000 shares)	-	-
	<u>45</u>	<u>43</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The holders of the deferred shares are not entitled to receive dividends and do not have voting rights.

### 12 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £	2017 £
Less than one year	55,067	55,067
Between one and five years	-	-
	<u>55,067</u>	<u>55,067</u>

During the year £125,867 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £125,867).

### 13 Related parties

#### *Identity of related parties with which the Company has transacted*

Oxford Technology ECF (GP) LLP is related by common directorship with M Frohn. During the year the company incurred costs totalling £5,000 (2017: £5,000) for monitoring fees. £5,000 (2017: £5,000) in relation to the next financial period was outstanding at the year end and included in trade creditors.

William Moffitt is a director of the company. During the year the company incurred costs totalling £16,000 (2017: £16,000) for his consultancy services and £2,765 (2017: £4,350) in relation to travel and subsistence reimbursements which were outstanding at the year end and included in trade creditors.