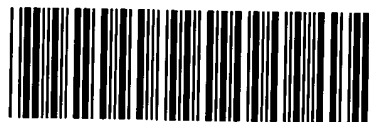


Financial Statements Cyclofluidic Limited

For the year ended 30 November 2015

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Registered number: 06670868

Cyclofluidic Limited
Registered number: 06670868

Company Information

Registered number	06670868
Registered office	9400 Garsington Road Oxford Business Park Oxford OX4 2HN
Directors	Dr L Castro Dr D M Parry Dr J M Treherne Mr W J Matthews Dr J J Eshelby
Company secretary	Aldwych Secretaries Limited
Bankers	HSBC 65 Cornmarket Street Oxford OX1 3HY
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY

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Directors' report

For the year ended 30 November 2015

The directors present their report and the audited financial statements for the year ended 30 November 2015.

Principal activities

Cyclofluidic's principal activity is the exploitation of research and development focused on technology to improve the efficiency of drug discovery.

The company has continued to operate out of laboratory facilities at BioPark, Welwyn Garden City, UK with a highly qualified and experienced cross functional team. Strong technical progress within Cyclofluidic has been maintained throughout the year with the group now operating an integrated and automated chemistry and biology platform for drug discovery CyclOps™ based on its groundbreaking research.

Cyclofluidic's two shareholders have continued to provide a high level of technical support to the R&D program alongside their financial commitments to the company. Cyclofluidic maintains a good relationship with Innovate UK and expects to draw down the final element of the grant funding in 2016.

The group is now focused on securing partnerships with pharmaceutical, biotechnology and other research entities to support drug discovery programmes, leveraging the CyclOps™ platform to solve mechanical chemistry problems at speed.

To facilitate the operational phase of the business the directors will seek to raise investment at the appropriate time when trading conditions are right for the business and until it can generate sufficient revenues to enable it to be cash generative to fund the continuing investment in its research platform.

Directors

The directors who served during the year were:

Dr L Castro
Dr D M Parry
Dr J M Treherne
Mr W J Matthews
Dr E Farrant (resigned 9 April 2015)
Dr J J Eshelby

Directors' responsibilities statement

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). 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;

Directors' report

For the year ended 30 November 2015

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

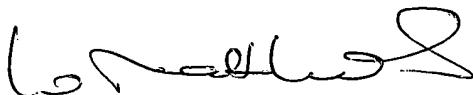
- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 7th April 2016 and signed on its behalf.



Mr W J Matthews
Director



Independent auditor's report to the members of Cyclofluidic Limited

We have audited the financial statements of Cyclofluidic Limited for the year ended 30 November 2015, which comprise the consolidated Profit and loss account, the consolidated and company Balance sheets, the consolidated Statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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 Ethical Standards for Auditors.

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 www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made within Note 1 concerning the group's ability to continue as a going concern. The group incurred an operating loss of £293,488 for the year ended 30 November 2015. This condition, along with the other matters explained in the accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.



Independent auditor's report to the members of Cyclofluidic Limited

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.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Grant Thornton UK LLP

Alison Seekings (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Cambridge
Date: 29 April 2016

Consolidated profit and loss account

For the year ended 30 November 2015

	Note	2015 £	2014 £
Turnover	1,2	440,679	554,766
Administrative expenses		(1,310,710)	(1,458,651)
Other operating income	3	576,543	870,658
		<hr/>	<hr/>
Operating loss	4	(293,488)	(33,227)
Interest receivable and similar income		275	668
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(293,213)	(32,559)
Tax on loss on ordinary activities	7	(10,352)	(12,418)
		<hr/>	<hr/>
Loss for the financial year	14	(303,565)	(44,977)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 17 form part of these financial statements.

Consolidated statement of total recognised gains and losses

For the year ended 30 November 2015

	2015 £	2014 £
Loss for the financial year	(303,565)	(44,977)
Foreign currency differences	<u>382</u>	<u>(222)</u>
Total recognised gains and losses relating to the year	<u>(303,183)</u>	<u>(45,199)</u>

The notes on pages 9 to 17 form part of these financial statements.

Consolidated balance sheet

As at 30 November 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	8		72,065		148,763
Current assets					
Debtors	10	322,584		532,583	
Cash at bank and in hand		161,933		168,410	
		<u>484,517</u>		<u>700,993</u>	
Creditors: amounts falling due within one year	11	<u>(131,714)</u>		<u>(99,143)</u>	
Net current assets			<u>352,803</u>		<u>601,850</u>
Total assets less current liabilities			<u>424,868</u>		<u>750,613</u>
Creditors: amounts falling due after more than one year	12		<u>(10,839)</u>		<u>(33,401)</u>
Net assets			<u><u>414,029</u></u>		<u><u>717,212</u></u>
Capital and reserves					
Called up share capital	13		1,280,000		1,280,000
Share premium account	14		720,000		720,000
Foreign exchange reserve	14		(200)		(582)
Profit and loss account	14		<u>(1,585,771)</u>		<u>(1,282,206)</u>
Shareholders' funds			<u><u>414,029</u></u>		<u><u>717,212</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25/4/16

Mr W J Matthews
 Director

The notes on pages 9 to 17 form part of these financial statements.

Company balance sheet

As at 30 November 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	8		72,065		148,763
Investments	9		637		637
			<u>72,702</u>		<u>149,400</u>
Current assets					
Debtors	10	322,584		530,094	
Cash at bank and in hand		153,424		159,038	
		<u>476,008</u>		<u>689,132</u>	
Creditors: amounts falling due within one year	11	(131,714)		(104,045)	
Net current assets			<u>344,294</u>		<u>585,087</u>
Total assets less current liabilities			<u>416,996</u>		<u>734,487</u>
Creditors: amounts falling due after more than one year	12		(10,839)		(33,401)
Net assets			<u><u>406,157</u></u>		<u><u>701,086</u></u>
Capital and reserves					
Called up share capital	13		1,280,000		1,280,000
Share premium account	14		720,000		720,000
Profit and loss account	14		(1,593,843)		(1,298,914)
Shareholders' funds			<u><u>406,157</u></u>		<u><u>701,086</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25/4/16

Mr W J Matthews
Director



25/4/2016

The notes on pages 9 to 17 form part of these financial statements.

Notes to the financial statements

For the year ended 30 November 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Cyclofluidic Limited has been funded to date with a £5.5m grant from the Innovate UK micro and nanotechnology capital project fund, together with £2m equity investment. Draw down of funding from both Innovate UK and equity investors was dependent on meeting technical milestones, all of which have been satisfied.

In determining the appropriate basis of presentation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for a period of not less than twelve months from the date of approval of the financial statements. The Group is seeking to develop partnerships with pharmaceutical, biotechnology and research entities to support drug discovery programmes using its CyclOps™ platform. The Group has started to build a customer base but does not yet have a revenue basis to fully support the operations of the group and the ongoing investment in its research platform. The losses incurred to date and the current revenue base highlights the existence of uncertainty which cast doubt over the Group's ability to continue as a going concern. The directors are seeking to ensure the cost basis of the business and availability of cash is closely monitored whilst additional revenues are secured. Based on the agreement of revenue contracts in the year to date and the additional revenue pipeline developed the directors believe that additional revenue will be generated such that they have a reasonable expectation that the Group will be able to continue as a going concern for the foreseeable future, and therefore have prepared the financial statements on the going concern basis. These financial statements therefore do not contain any adjustments that would result if the Group was unable to continue as a going concern.

1.2 Cash flow

The financial statements do not include a Consolidated cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.3 Basis of consolidation

The financial statements consolidate the accounts of Cyclofluidic Limited and all of its subsidiary undertakings ('subsidiaries').

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Profit and loss account.

The loss for the year dealt with in the accounts of the company was £294,929 (2014 - £52,425).

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Notes to the financial statements

For the year ended 30 November 2015

1. Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	20% - 67% Straight Line
Fixtures & fittings	-	33% - 50% Straight Line

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.9 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Notes to the financial statements

For the year ended 30 November 2015

1. Accounting policies (continued)

1.11 Other income receivable

Grants receivable are credited to the profit and loss account in the same period as the related expenditure. To the extent that grants are made as a contribution towards specific expenditure on fixed assets, the related grant income is recognised over the useful economic lives of the related assets.

The company has elected to take advantage of the research and development expenditure credit ('RDEC'). A company may surrender corporation tax losses on research and development expenditure for a corporation tax refund. Relief is given as a taxable credit on 10% of qualifying R&D expenditure. The company recognises research and development expenditure credit as an item of other income, taking advantage of the 'above the line' presentation.

2. Turnover

11% of the company's turnover (2014 - 44%) is attributable to geographical markets outside the United Kingdom.

3. Other operating income

	2015	2014
	£	£
Grant income receivable	519,127	813,335
Insurance claims receivable	6,500	-
Enhancement to research and expenditure credit	50,916	57,323
	<u>576,543</u>	<u>870,658</u>

4. Operating loss

The operating loss is stated after charging:

	2015	2014
	£	£
Depreciation of tangible fixed assets:		
- owned by the group	88,097	172,552
Auditor's remuneration	12,600	11,300
Pension costs	12,000	12,000
Difference on foreign exchange	2,572	3,566
Rent - operating leases	119,936	125,715
	<u>235,205</u>	<u>325,133</u>

Auditors fees for the company were £11,700 (2014 - £10,300)

Notes to the financial statements

For the year ended 30 November 2015

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2015	2014
	£	£
Wages and salaries	497,165	649,833
Social security costs	52,422	71,351
Other pension costs	12,000	12,000
	<u>561,587</u>	<u>733,184</u>

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

	2015	2014
	No.	No.
Staff	<u>12</u>	<u>13</u>

6. Directors' remuneration

	2015	2014
	£	£
Aggregate remuneration	<u>98,623</u>	<u>171,931</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

Notes to the financial statements

For the year ended 30 November 2015

7. Taxation

	2015	2014
	£	£
UK corporation tax charge on loss for the year	<u>10,352</u>	<u>12,418</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20% (2014 - 20%). The differences are explained below:

	2015	2014
	£	£
Loss on ordinary activities before tax	<u>(293,213)</u>	<u>(32,559)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	(58,643)	(6,512)
Effects of:		
Expenses not deductible for tax purposes	1,079	1,048
Capital allowances for year in excess of depreciation	11,347	27,471
Utilisation of tax losses	-	(20,383)
Non-taxable income	(391)	-
Research and development expenditure credit	10,352	12,418
Unrelieved tax losses carried forward	46,332	-
Unrelieved loss on foreign subsidiaries	276	(1,624)
Current tax charge for the year (see note above)	<u>10,352</u>	<u>12,418</u>

The Group has tax losses carried forward of £2.1m (2014: £1.9m).

Notes to the financial statements

For the year ended 30 November 2015

8. Tangible fixed assets

Group	Plant & machinery £	Fixtures & fittings £	Total £
Cost			
At 1 December 2014	903,049	145,864	1,048,913
Additions	11,552	-	11,552
Disposals	-	(333)	(333)
At 30 November 2015	914,601	145,531	1,060,132
Depreciation			
At 1 December 2014	757,552	142,598	900,150
Charge for the year	85,405	2,692	88,097
On disposals	-	(180)	(180)
At 30 November 2015	842,957	145,110	988,067
Net book value			
At 30 November 2015	71,644	421	72,065
At 30 November 2014	145,497	3,266	148,763
Company	Plant & machinery £	Fixtures & fittings £	Total £
Cost			
At 1 December 2014	903,049	145,864	1,048,913
Additions	11,552	-	11,552
Disposals	-	(333)	(333)
At 30 November 2015	914,601	145,531	1,060,132
Depreciation			
At 1 December 2014	757,552	142,598	900,150
Charge for the year	85,405	2,692	88,097
On disposals	-	(180)	(180)
At 30 November 2015	842,957	145,110	988,067
Net book value			
At 30 November 2015	71,644	421	72,065
At 30 November 2014	145,497	3,266	148,763

Notes to the financial statements

For the year ended 30 November 2015

9. Fixed asset investments

Company	Investments in subsidiary companies £
Cost	
At 1 December 2014 and 30 November 2015	637
Net book value	
At 30 November 2015	637
At 30 November 2014	637

10. Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	137,291	150,088	137,291	150,088
Other debtors	144,729	335,249	144,729	335,101
Tax recoverable	40,564	47,246	40,564	44,905
	<u>322,584</u>	<u>532,583</u>	<u>322,584</u>	<u>530,094</u>

**11. Creditors:
Amounts falling due within one year**

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	8,609	15,630	8,609	15,742
Amounts owed to group undertakings	-	-	-	4,962
Other taxation and social security	11,462	19,291	11,462	19,291
Other creditors	111,643	64,222	111,643	64,050
	<u>131,714</u>	<u>99,143</u>	<u>131,714</u>	<u>104,045</u>

Notes to the financial statements

For the year ended 30 November 2015

12. Creditors:**Amounts falling due after more than one year**

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Deferred income	10,839	33,401	10,839	33,401

13. Share capital

	2015	2014
	£	£
Allotted, called up and fully paid		
12,800,000 Ordinary shares of £0.10 each	1,280,000	1,280,000

The company has granted share options over Non-Voting 1p shares. During the year 1,339,681 options were granted with an exercise price of £0.01. All remaining outstanding as at 30 November 2015.

14. Reserves

Group	Share premium account	Foreign exchange reserve	Profit and loss account
	£	£	£
At 1 December 2014	720,000	(582)	(1,282,206)
Loss for the financial year	-	-	(303,565)
Movement on foreign exchange	-	382	-
At 30 November 2015	720,000	(200)	(1,585,771)

Company	Share premium account	Profit and loss account
	£	£
At 1 December 2014	720,000	(1,298,914)
Loss for the financial year	-	(294,929)
At 30 November 2015	720,000	(1,593,843)

Notes to the financial statements

For the year ended 30 November 2015

15. Related party transactions

In 2008, Cyclofluidic Limited secured a £5.5m grant from the Innovate UK micro and nanotechnology capital project fund, with investors Pfizer Limited and UCB Celltech. As part of the project the company has received "in-kind contributions" of labour and capital assets from both investors.

16. Subsidiaries

Company name	Country	Percentage Shareholding	Description
Cyclofluidic Inc	USA	100	Trading