

ADEPTIO PHARMACEUTICALS LIMITED

Annual report and financial statements

For the year ended 30 June 2013

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ADEPTIO PHARMACEUTICALS LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H E Evans
M P Evans
H Wendt

COMPANY SECRETARY

M P Evans

REGISTERED OFFICE

20-22 Bedford Row
London
WC1R 4JS

BANKERS

National Westminster Bank plc
Strand Branch
PO Box 414
38 Strand
London
WC2H 5JB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Reading Central
23 Forbury Road
Reading
Berkshire
RG1 3JH

ADEPTIO PHARMACEUTICALS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Adeptio Pharmaceuticals Limited, "the company", for the year ended 30 June 2013

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

PRINCIPAL ACTIVITIES

The company's principal activity is that of pharmaceutical research

DIRECTORS

The current directors of the company, who served throughout the financial year and up to the date of signing the financial statements, are shown below

H E Evans

M P Evans

H Wendt

I Montague - appointment terminated 16 January 2013

RESULTS AND DIVIDENDS

The company's loss for the financial year was £1,115,034 (2012 £1,006,899) No dividend on ordinary shares was declared in the year (2012 £Nil)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has in place qualifying third party indemnity provisions available for the benefit of the directors of the company, which was in force throughout the year and up to the date of the signing of the financial statements

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the shareholders. Subsequent to the year end the shareholders invested a further £1,786,012 on 30th September 2013 and will continue to support the company for at least one year after the financial statements are signed

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared 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 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 accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' report is approved, the following applies

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board



M P Evans
Company Secretary

24 March 2014

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADEPTIO
PHARMACEUTICALS LIMITED**

We have audited the financial statements of Adeptio Pharmaceuticals Limited for the year ended 30 June 2013, which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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. 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 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

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.

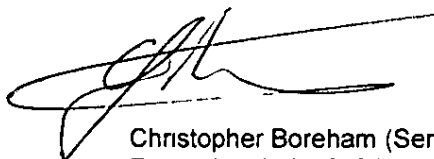
ADEPTIO PHARMACEUTICALS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADEPTIO PHARMACEUTICALS LIMITED

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, 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 take advantage of the small companies' exemption in preparing the Directors' Report



Christopher Boreham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

31 March 2014

ADEPTIO PHARMACEUTICALS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 30 June 2013

	Note	2013 £	2012 £
TURNOVER		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Distribution costs		-	-
Administrative expenses		(996,862)	(903,252)
		(996,862)	(903,252)
OPERATING LOSS		(996,862)	(903,252)
Interest receivable and similar income	3	-	14,525
Interest payable and similar charges	4	(118,172)	(118,172)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(1,115,034)	(1,006,899)
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR	15	(1,115,034)	(1,006,899)

All activities derive from continuing operations

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

ADEPTIO PHARMACEUTICALS LIMITED

BALANCE SHEET As at 30 June 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Tangible assets	8	-	1,023
CURRENT ASSETS			
Debtors	9	27,272	41,848
Cash at bank and in hand		496,774	1,658,203
		524,046	1,700,051
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(280,012)	(342,006)
NET CURRENT ASSETS		244,034	1,358,045
TOTAL ASSETS LESS CURRENT LIABILITIES		244,034	1,359,068
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(2,363,434)	(2,363,434)
NET (LIABILITIES)/ASSETS		(2,119,400)	(1,004,366)
CAPITAL AND RESERVES			
Called up share capital	13	2,533	2,533
Profit and loss account	14	(2,121,933)	(1,006,899)
TOTAL SHAREHOLDERS' (DEFICIT)/FUNDS	15	(2,119,400)	(1,004,366)

The financial statements on pages 6 to 17 were approved by the board of directors on 24 March 2014 and were signed on its behalf by



Mark Evans

Adeptio Pharmaceuticals Limited
Company registration number 07060603

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2013

1 ACCOUNTING POLICIES

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the shareholders. Subsequent to the year end the shareholders invested a further £1,786,012 on 30th September 2013 and will continue to support the company for at least one year after the financial statements are signed

The company has taken advantage of the exemption in FRS 1 (revised 1996) 'Cash flow statements' from the requirement to present a cash flow statement on the grounds that it is a small company

The principal accounting policies, which have been applied consistently throughout the financial year, are described below

Tangible fixed assets and depreciation

The cost of fixed assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Fixed assets are stated on the balance sheet at cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write off each asset less its residual value over its estimated useful life

Computers - 33% straight line

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, value added tax and other sales related taxes

Sales of goods are recognised at the point of invoice

Foreign currency

Monetary 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

1 ACCOUNTING POLICIES CONT

sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

2 DIRECTORS AND EMPLOYEES

	2013 £	2012 £
Directors' emoluments		
Aggregate emoluments (Excluding Employers NI)	109,080	177,000
Company contributions to defined contribution scheme	-	-
	<u>109,080</u>	<u>177,000</u>
Highest paid director		
Aggregate emoluments (Excluding Employers NI)	56,891	125,000
Company contributions to defined contribution scheme	-	-
	<u>56,891</u>	<u>125,000</u>

There were no employees other than directors

**Average monthly number of persons employed
(including executive directors)**
Administration

Number	Number
2	2

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £	2012 £
Gains on translation of foreign currencies	-	14,525

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Cumulative Preference Share dividend	<u>118,172</u>	<u>118,172</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013 £	2012 £
Loss on ordinary activities before taxation is stated		
After charging		
Total salary expense	123,071	197,633
Depreciation of tangible assets - owned assets (note 8)	279	98
Services provided by the company's auditors		
Fees payable for the audit	10,500	10,000
Fees for other services	5,000	4,750
	<u>123,071</u>	<u>197,633</u>

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2013 £	2012 £
(i) Analysis of tax charge for year		
Current tax		
United Kingdom corporation tax at 23.8% (2012 24.5%)	-	-
Deferred tax (note 12)		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>
(ii) Factors affecting current tax charge for year		

During the year, as a result of the change in the UK main corporation tax rate to 24% that was substantively enacted on 29 March 2012 and that will be effective from 1 April 2012, and to 23% that was substantively enacted on 3 July 2012 and will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured

A further reduction to the UK corporation tax rate has been announced. The change proposes to reduce the rate to 22% from 1 April 2014. The change has not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements.

A claim will be made for a Research & Development Tax Credit for the year. In connection with this claim, losses will be surrendered in exchange for a cash payment of approximately £115,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

6 TAX ON LOSS ON ORDINARY ACTIVITIES CONT

The tax assessed for the year is higher (2012 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2012 of 23.8% (2012 24.5%). The differences are explained below

	2013 £	2012 £
Loss on ordinary activities before tax	(1,115,034)	(1,006,899)
Loss on ordinary activities multiplied by standard rate in the UK of 23.8% (2012 24.5%)	(265,378)	(246,690)
Effects of		
Fixed asset differences	243	(251)
Expenses not deductible for tax purposes	8,245	27,319
Enhancement of R&D expenditure	(165,917)	(130,930)
R&D Tax Credit Surrender	256,890	-
Adjustments in respect of previous years	-	169,944
Losses carried forward not recognised in these financial statements	165,917	180,607
Total current tax charge for the financial year	-	-

7 DIVIDENDS

There were no dividends paid in the current or prior periods on the ordinary share capital

8. TANGIBLE ASSETS

	Computers £
Cost	
At 1 July 2012	1,121
Additions	-
Disposals	(1,121)
At 30 June 2013	-
Accumulated depreciation	
At 1 July 2012	98
Charge for the year	279
Depreciation disposals	(377)
At 30 June 2013	-
Net book value	
At 30 June 2013	-
At 1 July 2012	1,023

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

9 DEBTORS

	2013 £	2012 £
Trade debtors	-	-
Other debtors	25,264	28,311
Prepayments	2,008	13,537
	<u>27,272</u>	<u>41,848</u>

10. CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Trade creditors	23,668	79,090
Other creditors	20,000	129,534
Taxation and social security	-	15,210
Accrued preference dividend	236,344	118,172
	<u>280,012</u>	<u>342,006</u>

11 CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £	2012 £
5% Cumulative Preference shares	<u>2,363,434</u>	<u>2,363,434</u>

The preference shares were issued on 27 September 2011 for £1 per share. The consideration was paid in cash. Each preference share is entitled to a fixed cumulative dividend, payable out of profits at the annual rate of 5% of the issue price, excluding any tax credit. To the extent that it remains unpaid, this dividend is compounded on 30 September of each year. The dividend carries interest at the rate of 5% between the due date and the date of payment. A dividend of £118,172 has been accrued in these financial statements (Notes 4 and 10). During the year it was agreed by a majority of shareholders that the existing preference shares will be redeemed by the company on the first business day following 31 December 2016 unless the majority of shareholders agree to a later date.

The preference shares are redeemable at par upon a return of capital in priority to any payment to the A Shareholders, the B Shareholders and the C Shareholders. The preference shares do not entitle the holders to any further rights of participation in the profits of the company or any rights to attend meetings and vote.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

12 DEFERRED TAX

No provision has been made in these financials for any deferred tax asset or liability (2012 £Nil) At 30 June 2013, there is a potential deferred tax asset of £232,000 in respect of tax losses and Research & Development Tax Credits This has not been recognised as the directors do not currently consider it more likely than not that these losses will be realised

13. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Allotted and fully paid		
2,363,434 A Ordinary shares of £0 001 each	2,364	2,364
B Ordinary shares of £0 001 each	-	-
169,165 C Ordinary shares of £0 001 each	169	169
	<u>2,533</u>	<u>2,533</u>

On 27 September 2011, new Articles of Association were adopted by which A B and C Ordinary shares of £0 001 each and Preference shares of £1 each were created The Directors were given authority to issue shares up to a nominal value of £5,000,000

On 27 September 2011, the existing 100 ordinary shares of £0 01 each were subdivided into 1,000 C Ordinary shares of £0 001 each On the same date, an additional 168,165 C Ordinary shares of £0 001 were issued at par, for cash and 2,363,434 A Ordinary shares of £0 001 were issued at par, for cash Both A and C Ordinary shares have the same rights

14 RESERVES

	Profit and loss account £
At 1 July 2012	(1,006,899)
Loss for the financial year (note 15)	(1,115,034)
At 30 June 2013	<u>(2,121,933)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	2013 £	2012 £
Opening shareholders' (deficit)/funds	(1,004,366)	1
Loss for the financial year	(1,115,034)	(1,006,899)
Issue of Ordinary Share Capital	-	2,532
	<u>(1,115,034)</u>	<u>(1,004,367)</u>
Net reduction in shareholders' funds		
	<u>(2,119,400)</u>	<u>(1,004,366)</u>
Closing shareholders' deficit		

16. OPERATING LEASE COMMITMENTS

There were no operating lease commitments at 30 June 2013

17 RELATED PARTY DISCLOSURES

The directors had no other interest in transactions with the company in the year (2012 none) aside from the remuneration outlined in note 2 and the amounts detailed over the page. In addition to the remuneration outlined in note 2, the directors had interests in Mercia Holdings Limited and The Wendt Family Trust.

Ian Montague ceased to be a related party after his termination on 16 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

17. RELATED PARTY DISCLOSURES CONT

Entity/Person	Transaction	Outstanding at 30 June 2013	Outstanding at 30 June 2012
Mark Evans	Preference Shares	650,300	627,541
	Preference share dividend	65,030	31,377
Ian Montague	Preference Shares	-	192
	Preference share dividend	-	22,759
Mercia Holdings	Preference Shares	627,541	627,541
	Preference share dividend	62,754	31,377
Wendt Family Trust	Preference Shares	627,541	627,541
	Preference share dividend	62,754	31,377
Andrew Duffield	Preference Shares	45,521	45,521
	Preference share dividend	4,552	2,276
Anant Pandya	Preference Shares	45,521	45,521
	Preference share dividend	4,552	2,276
Doug MacMahon	Preference Shares	22,760	22,760
	Preference share dividend	2,276	2,276
CIDREW Ltd	Consultancy Services Provided by a company controlled by a member of key management personnel	-	8,400
Transdermal Ltd	Consultancy Services Provided by a company controlled by a member of key management personnel	4,937	38,430
MST Regulatory Ltd	Consultancy Services Provided by a company controlled by a member of key management personnel	(480)	12,720
Total		<u>2,225,559</u>	<u>2,179,885</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

17. RELATED PARTY DISCLOSURES CONT

Entity/Person	Transaction	Transactions during 2013	Transactions during 2012
Mark Evans	Preference share dividend	31,377	31,377
	Subscription for Ordinary Shares	-	628
	Subscription for Preference Shares	-	627,541
Ian Montague	Preference share dividend	1,138	1,138
	Subscription for Ordinary Shares	-	191
	Subscription for Preference Shares	-	22,759
Mercia Holdings	Preference share dividend	31,377	31,377
	Subscription for Ordinary Shares	-	628
	Subscription for Preference Shares	-	627,541
Wendt Family Trust	Preference share dividend	31,377	31,377
	Subscription for Ordinary Shares	-	628
	Subscription for Preference Shares	-	627,541
Andrew Duffield	Preference share dividend	2,276	2,276
	Subscription for Ordinary Shares	-	46
	Subscription for Preference Shares	-	45,521
Anant Pandya	Preference share dividend	2,276	2,276
	Subscription for Ordinary Shares	-	46
	Subscription for Preference Shares	-	45,521

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 June 2013

17. RELATED PARTY DISCLOSURES CONT

Entity/Person	Transaction	Transactions during 2013	Transactions during 2012
Doug MacMahon	Preference share dividend	1,138	1,138
	Subscription for Ordinary Shares	-	23
	Subscription for Preference Shares	-	22,760
CIDREW Ltd	Consultancy services provided by a company controlled by a member of key management personnel	66,500	74,750
Transdermal Ltd	Consultancy services provided by a company controlled by a member of key management personnel	77,715	38,430
Doug MacMahon	Consultancy services provided by a member of key management personnel	30,941	15,259
MST Regulatory Ltd	Consultancy services provided by a company controlled by a member of key management personnel	24,000	53,000
Total		300,115	2,303,772

18. SUBSEQUENT EVENTS

On 30th September 2013 the shareholders invested a further £1,786,012 into the company

19. ULTIMATE CONTROLLING PARTY

The company does not believe it has an ultimate controlling party