

**CYPRALIS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



## **CYPRALIS LIMITED**

### **COMPANY INFORMATION**

#### **DIRECTORS**

H G Fliri, PhD  
P L Hurley (resigned 5 December 2017)  
A Rummelt  
S C Kerr  
N J Baker-Munton

#### **REGISTERED NUMBER**

8028515

#### **REGISTERED OFFICE**

Babraham Hall Room 3011  
Babraham Research Campus  
Cambridge  
CB22 3AT

#### **INDEPENDENT AUDITORS**

Price Bailey LLP  
Chartered Accountants & Statutory Auditors  
Causeway House  
1 Dane Street  
Bishop's Stortford  
Hertfordshire  
CM23 3BT

#### **BANKERS**

National Westminster Bank Plc  
279 High Street  
Epping  
CM16 4BT

# **CYPRALIS LIMITED**

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## **CYPRALIS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their Report and the financial statements for the year ended 31 December 2017.

#### **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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 to 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.

#### **DIRECTORS**

The Directors who served during the year were:

H G Fliri, PhD  
P L Hurley (resigned 5 December 2017)  
A Rummelt  
S C Kerr  
N J Baker-Munton

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- the 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's Auditors are aware of that information.

#### **AUDITORS**

The Auditors, Price Bailey LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**CYPRALIS LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**SMALL COMPANIES NOTE**

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 *26th September 2018* and signed on its behalf.



.....  
**S C Kerr**  
Director

## **CYPRALIS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF CYPRALIS LIMITED**

#### **OPINION**

We have audited the financial statements of Cypralis Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Income and Retained Earnings Incorporating Profit and Loss Account, the Balance Sheet and the related notes, 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 31 December 2017 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

#### **CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **OTHER INFORMATION**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

## **CYPRALIS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF CYPRALIS LIMITED (CONTINUED)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other 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.

#### **OPINION 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.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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.

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**

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

## **CYPRALIS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF CYPRALIS LIMITED (CONTINUED)**

#### **AUDITORS' RESPONSIBILITIES 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 Auditors' 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 Auditors' Report.

#### **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 Auditors' 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.

Gary Miller FCA (Senior Statutory Auditor)

for and on behalf of  
**Price Bailey LLP**

Chartered Accountants  
Statutory Auditors

Causeway House  
1 Dane Street  
Bishop's Stortford  
Hertfordshire  
CM23 3BT

26 September 2018



**CYPRALIS LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS INCORPORATING PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
Turnover	41,685	459,986
Cost of sales	(1,231,623)	(581,890)
<b>GROSS LOSS</b>	<u>(1,189,938)</u>	<u>(121,904)</u>
Administrative expenses	(556,122)	(516,578)
Other operating income	3      235,932	466,338
<b>OPERATING LOSS</b>	<u>(1,510,128)</u>	<u>(172,144)</u>
Interest payable and expenses	(45,757)	(24,853)
<b>LOSS BEFORE TAX</b>	<u>(1,555,885)</u>	<u>(196,997)</u>
Tax on loss	5      215,230	111,164
<b>LOSS AFTER TAX</b>	<u><u>(1,340,655)</u></u>	<u><u>(85,833)</u></u>
Retained earnings at the beginning of the year	(758,511)	(672,678)
Loss for the year	(1,340,655)	(85,833)
<b>RETAINED EARNINGS AT THE END OF THE YEAR</b>	<u><u>(2,099,166)</u></u>	<u><u>(758,511)</u></u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Income and Retained Earnings Incorporating Profit and Loss Account.

The notes on pages 8 to 13 form part of these financial statements.

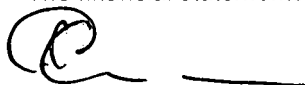
**CYPRALIS LIMITED**  
**REGISTERED NUMBER: 8028515**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	6	3,500	3,500
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	7	330,649	224,580
Cash at bank and in hand	8	172,318	212,373
		<u>502,967</u>	<u>436,953</u>
Creditors: amounts falling due within one year	9	(825,163)	(874,655)
<b>NET CURRENT LIABILITIES</b>		(322,196)	(437,702)
Creditors: amounts falling due after more than one year	10	(1,723,555)	(267,394)
<b>NET LIABILITIES</b>		<u>(2,042,251)</u>	<u>(701,596)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	56,915	56,915
Profit and loss account		(2,099,166)	(758,511)
		<u>(2,042,251)</u>	<u>(701,596)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



.....  
**S C Kerr**  
 Director

Date: 26th September 2018

The notes on pages 8 to 13 form part of these financial statements.

## **CYPRALIS LIMITED**

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

#### **1. GENERAL INFORMATION**

Cypralis Limited is a private company limited by shares, incorporated in England and Wales. Its Registered Office is Babraham Hall Room 3011, Babraham Research Campus, Cambridge, CB22 3AT.

#### **2. ACCOUNTING POLICIES**

##### **2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006 (FRS 102)

The following principal accounting policies have been applied:

##### **2.2 GOING CONCERN**

During the year the Company made a loss before tax of £1,555,885. As at 31 December 2017 the Company had net liabilities of £2,042,251. The Directors have obtained assurances from the shareholders that they will continue to support the Company to enable it to continue to trade. The Directors are confident that the shareholders have the resources to honour this commitment.

Accordingly the financial statements have been prepared on a going concern basis and do not include any adjustments that would result if the Company or its subsidiaries were not able to continue as a going concern.

##### **2.3 REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### **2.4 INTANGIBLE ASSETS**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

## **CYPRALIS LIMITED**

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

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.5 DEBTORS**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **2.6 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### **2.7 FINANCIAL INSTRUMENTS**

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

##### **2.8 CREDITORS**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **2.9 GOVERNMENT GRANTS**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Income and Retained Earnings at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

## **CYPRALIS LIMITED**

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

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.10 FOREIGN CURRENCY TRANSLATION**

###### **Functional and presentation currency**

The Company's functional and presentational currency is Pounds Sterling.

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

##### **2.11 FINANCE COSTS**

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **2.12 BORROWING COSTS**

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

##### **2.13 TAXATION**

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

##### **2.14 RESEARCH AND DEVELOPMENT**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

**CYPRALIS LIMITED**

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

**3. OTHER OPERATING INCOME**

	2017 £	2016 £
Government grants receivable	235,932	50,859
Release of liability arising on waiver of loan balance	-	415,479
	<u>235,932</u>	<u>466,338</u>

**4. EMPLOYEES**

The average monthly number of employees, including Directors, during the year was 6 (2016 - 6).

**5. TAXATION**

	2017 £	2016 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	(203,877)	(108,700)
Adjustments in respect of previous periods	(11,353)	(2,464)
	<u>(215,230)</u>	<u>(111,164)</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

Included in the above are claims for research and development tax credits.

**6. INTANGIBLE ASSETS**

	Intellectual property £
<b>COST</b>	
At 1 January 2017	3,500
At 31 December 2017	<u>3,500</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>3,500</u>
At 31 December 2016	<u>3,500</u>

**7. DEBTORS**

2017	2016
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**CYPRALIS LIMITED**

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

**7. DEBTORS (CONTINUED)**

	£	£
Trade debtors	50,685	-
Other debtors	25,756	4,030
Prepayments and accrued income	50,331	111,850
Tax recoverable	203,877	108,700
	<u>330,649</u>	<u>224,580</u>

**8. CASH AND CASH EQUIVALENTS**

	2017 £	2016 £
Cash at bank and in hand	<u>172,318</u>	<u>212,373</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Other loans	425,535	446,067
Trade creditors	311,679	412,516
Other taxation and social security	11,655	4,468
Other creditors	-	1,501
Accruals and deferred income	76,294	10,103
	<u>825,163</u>	<u>874,655</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017 £	2016 £
Other loans	<u>1,723,555</u>	<u>267,394</u>
	<u>1,723,555</u>	<u>267,394</u>

**CYPRALIS LIMITED**

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

**11. LOANS**

Analysis of the maturity of loans is given below:

	2017 £	2016 £
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Other loans	425,535	446,067
	<u>425,535</u>	<u>446,067</u>
<b>AMOUNTS FALLING DUE 1-2 YEARS</b>		
Other loans	1,723,555	267,394
	<u>1,723,555</u>	<u>267,394</u>
	<u><u>1,723,555</u></u>	<u><u>267,394</u></u>

**12. SHARE CAPITAL**

	2017 £	2016 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
1,138,300 Ordinary shares of £0.05 each	56,915	56,915
	<u>56,915</u>	<u>56,915</u>

**13. POST BALANCE SHEET EVENTS**

As at 31 December 2017, the Company had issued convertible loans with nominal values of £1.75m. In June 2018 these loans, along with additional amounts loaned in 2018 converted to equity shares in accordance with the funding agreements. In June 2018, an additional 313,417 shares were issued at £1 and paid up as part of a rights issue.

**14. CONTROLLING PARTY**

The ultimate controlling party is H G Fliri.