

Registered number: 09758999

DNAE DIAGNOSTICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



DNAE DIAGNOSTICS LIMITED

COMPANY INFORMATION

Directors	K H Tan C Toumazou
Registered Number	09758999
Registered Office	Ugli Campus Block C 56 Wood Lane London W12 7SB
Independent Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 3140 Rowan Place John Smith Drive Oxford OX4 2WB
Bankers	Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB
Solicitors	Dorsey and Whitney Europe LLP 199 Bishopsgate London EC2M 3UT

DNAE DIAGNOSTICS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Notes to the financial statements	9 - 20

DNAE DIAGNOSTICS 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.

Results

The loss for the year, after taxation, amounted to £27,371,742 (2016 - loss £18,536,086).

Directors

The directors who served during the year were:

K H Tan
C Toumazou

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, including FRS 101 'Reduced Disclosure Framework'). 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 and 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 judgments 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.

DNAE DIAGNOSTICS LIMITED

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

Going concern basis

DNAe Diagnostics Limited is part of the DNAe Group which is currently in the development phase of its business lifecycle and as is common with many research and development businesses, requires investment to fund its ongoing development. At 31 December 2017 the Group had net liabilities of £54m and had made a loss of £34m for the year, due to on-going expenditure on research and development. The Group is forecasting to require further funding during 2018 to continue its planned product development and marketing. Whilst the Group has the support of the parent company to the end of 2018, the Group is also preparing a significant fundraising exercise, with the aim to complete by year end 2018, and has started advanced discussions with a potential strategic partner about cooperation on their first commercial product. The directors acknowledge that there is some element of risk in any fundraising and that this therefore represents a material uncertainty for the Group, which could have a significant impact on the Group's ability to continue as a going concern beyond 2018. However, given the track record the business has of raising funds, the directors are confident that funding can be obtained and this, combined with the anticipated strategic cooperation, will provide the funds required to complete the development phase and provide working capital for the marketing phase of the business plan. For this reason, the directors are satisfied that the Group will have adequate resources to continue to operate for the foreseeable future. Accordingly, the directors have prepared the financial statements of DNAe Diagnostics Limited on the going concern basis.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

There have been no significant events affecting the company since the year end.

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.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20/06/18 and signed on its behalf.



C Toumazou
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED

Opinion

We have audited the financial statements of DNAe Diagnostics Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity 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 (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework').

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 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.

Who we are reporting to

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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the group incurred a net loss of £34m during the year ended 31 December 2017 and group and subsidiary companies are required to secure further funding in order to complete their product development. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern beyond 2018. Our opinion is not modified in respect of this matter.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 - 2, other than the 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 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.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out 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.

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 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. The description forms part of our Auditor's report.



Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

Date: 26 June 2018

DNAE DIAGNOSTICS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Administrative expenses		(27,171,072)	(18,436,338)
Operating loss	4	<u>(27,171,072)</u>	<u>(18,436,338)</u>
Interest receivable and similar income	7	-	81,836
Interest payable and expenses	8	(818,996)	(181,584)
Loss before tax		<u>(27,990,068)</u>	<u>(18,536,086)</u>
Tax on loss	9	618,326	-
Loss for the period		<u><u>(27,371,742)</u></u>	<u><u>(18,536,086)</u></u>
 Total comprehensive income for the year		 <u><u>(27,371,742)</u></u>	 <u><u>(18,536,086)</u></u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income.

The notes on pages 9 to 20 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED
REGISTERED NUMBER:09758999

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	15,726	-
Tangible assets	11	537,030	116,989
		<u>552,756</u>	<u>116,989</u>
Current assets			
Debtors: amounts falling due within one year	12	2,557,231	2,843,377
Cash at bank and in hand	13	46,589	330,078
		<u>2,603,820</u>	<u>3,173,455</u>
Creditors: amounts falling due within one year	14	(52,592,794)	(25,354,920)
Net current liabilities		<u>(49,988,974)</u>	<u>(22,181,465)</u>
Total assets less current liabilities		<u>(49,436,218)</u>	<u>(22,064,476)</u>
Net liabilities		<u>(49,436,218)</u>	<u>(22,064,476)</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account	16	(49,436,318)	(22,064,576)
		<u>(49,436,218)</u>	<u>(22,064,476)</u>

The company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

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

20/06/18


C Toumazou
 Director

The notes on pages 9 to 20 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	100	(22,064,576)	(22,064,476)
Loss for the year	-	(27,371,742)	(27,371,742)
Total comprehensive income for the year	-	(27,371,742)	(27,371,742)
At 31 December 2017	100	(49,436,318)	(49,436,218)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	100	(3,528,490)	(3,528,390)
Loss for the year	-	(18,536,086)	(18,536,086)
Total comprehensive income for the year	-	(18,536,086)	(18,536,086)
At 31 December 2016	100	(22,064,576)	(22,064,476)

The notes on pages 9 to 20 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED

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

1. General information

DNAe Diagnostics Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Ugli Campus Block C, 56 Wood Lane, London, W12 7SB.

The principal activity of DNAe Diagnostics Limited is research and experimental development on biotechnology.

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 Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirement to produce a balance sheet at the beginning of the earliest comparative period
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliation's for property, plant and equipment,
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Disclosures in respect of financial instruments

DNAE DIAGNOSTICS LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

DNAe Diagnostics Limited is part of the DNAe Group which is currently in the development phase of its business lifecycle and as is common with many research and development businesses, requires investment to fund its ongoing development. At 31 December 2017 the Group had net liabilities of £54m and had made a loss of £34m for the year, due to on-going expenditure on research and development. The Group is forecasting to require further funding during 2018 to continue its planned product development and marketing. Whilst the Group has the support of the parent company to the end of 2018, the Group is also preparing a significant fundraising exercise, with the aim to complete by year end 2018, and has started advanced discussions with a potential strategic partner about cooperation on their first commercial product. The directors acknowledge that there is some element of risk in any fundraising and that this therefore represents a material uncertainty for the Group, which could have a significant impact on the Group's ability to continue as a going concern beyond 2018. However, given the track record the business has of raising funds, the directors are confident that funding will be obtained and this, combined with the anticipated strategic cooperation, will provide the funds required to complete the development phase and provide working capital for the marketing phase of the business plan. For this reason, the directors are satisfied that the Group will have adequate resources to continue to operate for the foreseeable future. Accordingly, the directors have prepared the financial statements of DNAe Diagnostics Limited on the going concern basis.

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.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Lab Equipment	- 3 years straight line
---------------	-------------------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

DNAE DIAGNOSTICS LIMITED

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

2. Accounting policies (continued)

2.6 Research and development costs

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new customised technologies are recognised as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the company intends to complete the intangible asset and use or sell it;
- the company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

2.7 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.

2.8 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.

2.9 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

DNAE DIAGNOSTICS LIMITED

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

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

DNAE DIAGNOSTICS LIMITED

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

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

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 comprehensive income 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 comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

2.13 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

DNAE DIAGNOSTICS LIMITED

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

2. Accounting policies (continued)

2.14 Taxation

Tax is recognised in the Statement of comprehensive income, 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 reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 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. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Development costs

Management consider whether any development costs meet the criteria for capitalisation as intangible assets and make judgments as part of this process.

DNAE DIAGNOSTICS LIMITED

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

4. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	10,023,911	5,040,921
Depreciation of tangible fixed assets	140,084	14,457
Amortisation of intangible assets, including goodwill	182	-
Exchange differences	(204,477)	184,299
Admin costs	32,993	5,934
Bank fees	4,208	2,395
	<u>9,996,901</u>	<u>5,248,006</u>

5. Auditors' remuneration

The audit fee was borne by the parent company.

6. Employees

The company has no employees other than the directors, who did not received any remuneration (2016: £Nil).

7. Interest receivable

	2017 £	2016 £
Interest receivable from group companies	-	81,836
	<u>-</u>	<u>81,836</u>

8. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	285,931	181,584
Loans from group undertakings	533,065	-
	<u>818,996</u>	<u>181,584</u>

DNAE DIAGNOSTICS LIMITED

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

9. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on losses for the year	(618,326)	-
	<u>(618,326)</u>	<u>-</u>
Total current tax	<u>(618,326)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	(27,990,068)	(18,536,086)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(5,388,088)	(3,707,217)
Effects of:		
Deferred tax not recognised	4,758,312	3,707,217
Adjustment closing deferred tax to average rate of 17%	1,111,146	-
Adjustment opening deferred tax to average rate of 17%	(481,370)	-
R&D expenditure credits PY	(618,326)	-
Total tax charge for the year	<u>(618,326)</u>	<u>-</u>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and from 19% to 17% (effective 1 April 2019) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

DNAE DIAGNOSTICS LIMITED

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

10. Intangible assets

	Patents, Trademarks & Other IP rights £
Cost	
Additions	15,908
At 31 December 2017	<u>15,908</u>
Amortisation	
Charge for the year	182
At 31 December 2017	<u>182</u>
Net book value	
At 31 December 2017	<u>15,726</u>
At 31 December 2016	<u>-</u>

DNAE DIAGNOSTICS LIMITED

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

11. Tangible fixed assets

	Lab Equipment £
Cost or valuation	
At 1 January 2017	131,446
Additions	560,125
At 31 December 2017	<u>691,571</u>
Depreciation	
At 1 January 2017	14,457
Charge for the year on owned assets	140,084
At 31 December 2017	<u>154,541</u>
Net book value	
At 31 December 2017	<u>537,030</u>
At 31 December 2016	<u>116,989</u>

12. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	1,847,357	2,724,335
VAT	169,260	119,042
Current Tax asset	540,614	-
	<u>2,557,231</u>	<u>2,843,377</u>

13. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>46,589</u>	<u>330,078</u>

DNAE DIAGNOSTICS LIMITED

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

14. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loan	25,054,157	25,009,573
Trade creditors	1,049,314	215,724
Amounts owed to group undertakings	25,938,522	-
Accruals and deferred income	550,801	129,623
	<u>52,592,794</u>	<u>25,354,920</u>

15. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>1,893,947</u>	<u>3,054,413</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(52,592,794)</u>	<u>(25,354,920)</u>

Financial assets measured at amortised cost comprise cash and amounts owed from group undertakings.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts owed to group undertakings and accruals.

16. Reserves

Profit and loss account

Profit and loss account includes all current and prior year retained profits and losses.

DNAE DIAGNOSTICS LIMITED

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

17. Share capital

	2017	2016
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

18. Controlling party

The directors consider that the ultimate controlling party is Genting Berhad, a listed Malaysian group, due to that company's indirect interest in the preference shares outstanding at the year end.