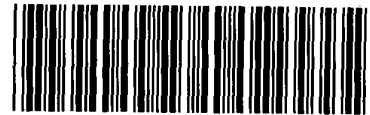


COMPANY REGISTRATION NUMBER: 5856137

Phase Focus Limited
Financial Statements
31 July 2017

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Phase Focus Limited
Financial Statements
Year ended 31 July 2017

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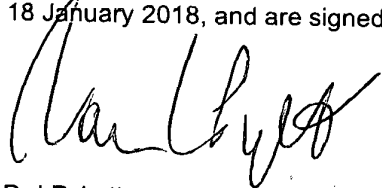
Phase Focus Limited
Statement of financial position

31 July 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	4	47,134	51,238
Tangible assets	5	52,767	75,422
Investments	6	695	695
		<u>100,596</u>	<u>127,355</u>
Current assets			
Stocks	7	93,313	7,714
Debtors	8	219,309	195,618
Cash at bank and in hand		2,027,507	1,672,560
		<u>2,340,129</u>	<u>1,875,892</u>
Creditors: amounts falling due within one year	9	<u>(382,460)</u>	<u>(179,862)</u>
Net current assets		<u>1,957,669</u>	<u>1,696,030</u>
Total assets less current liabilities		<u>2,058,265</u>	<u>1,823,385</u>
Net assets		<u>2,058,265</u>	<u>1,823,385</u>
Capital and reserves			
Called up share capital			
Share premium account	11	11,495	9,839
Profit and loss account		11,329,073	9,580,443
		<u>(9,282,303)</u>	<u>(7,766,897)</u>
Members funds		<u>2,058,265</u>	<u>1,823,385</u>

These accounts 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 profit and loss account and Director's report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to small companies regime.

These financial statements were approved by the board of directors and authorised for issue on 18 January 2018, and are signed on behalf of the board by:



Dr I Pykett
 Director

Company registration number: 5856137

The notes on pages 2 to 8 form part of these financial statements.

Phase Focus Limited
Notes to the financial statements
Year ended 31 July 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Sheffield Bioincubator, 40 Leavygreave Road, Sheffield, S3 7RD.

2. Accounting policies

Basis of preparation

These accounts 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 profit and loss account and Director's report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to small companies regime.

In accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006, the directors have taken advantage of the exemption to prepare consolidated accounts.

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The company is engaged in the commercialisation of intellectual property and is currently in the research, development and early commercialisation stage of its activities. As is usual in this industry, research projects must meet specific targets in order to demonstrate ongoing commercial viability and negotiate successfully for additional funding. Companies that cannot demonstrate ongoing technical or commercial viability would be wound down. New funding cycles are typically 12 to 18 months apart, although this varies between companies.

In the financial year to 31 July 2017 the company made a number of new sales of its main product and also secured a number of new orders of which down payments have already be made. The forecasted sales pipeline indicates a multiple increase for the 2018 financial year.

On 7 July 2017 a number of existing shareholders invested a further £1,750,286 in the company to help progress the commercialisation of its products, as a result of this the company held cash balances of £2,027,507 at 31 July 2017. These current funds and projected sales are expected to cover the working capital requirements of the company for up to 12 months after the signing of these financial statements.

After making enquiries and considering the forecasted sales pipeline described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operation and existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Revenue recognition

Turnover represents the invoiced value of goods and services supplied by the company net of value added tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Phase Focus Limited
Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

2. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current tax, deferred tax and Research and Development tax credits recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Research and Development tax credits are recognised on research and development carried out in past periods. This policy reflects the Directors beliefs that the Research and Development tax credit should only be recognised when there is a reasonable expectation that the Research and Development tax credit will be agreed with tax authorities. Research and Development tax credits are measured at the amounts of tax expected to be recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Patents, trademarks and licences - Amortised to nil by equal annual instalments over 10 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Phase Focus Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

2. Accounting policies *(continued)*

Tangible assets *(continued)*

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	33% straight line
Fixtures, fittings and equipment	-	33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Phase Focus Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

2. Accounting policies *(continued)*

Financial instruments

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 1a as at 1 August 2015. Details of how FRS 102 1a has affected the reported financial position and financial performance is given in note 13.

3. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to 20 (2016: 19).

Phase Focus Limited
Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

4. Intangible assets

	Patents, trademarks and licences £
Cost	
At 1 August 2016	109,600
Additions	<u>7,411</u>
At 31 July 2017	<u>117,011</u>
Amortisation	
At 1 August 2016	58,362
Charge for the year	<u>11,515</u>
At 31 July 2017	<u>69,877</u>
Carrying amount	
At 31 July 2017	<u>47,134</u>
At 31 July 2016	<u>51,238</u>

5. Tangible assets

	Plant and machinery £	Equipment £	Total £
Cost			
At 1 August 2016	501,183	62,025	563,208
Additions	<u>–</u>	<u>20,951</u>	<u>20,951</u>
At 31 July 2017	<u>501,183</u>	<u>82,976</u>	<u>584,159</u>
Depreciation			
At 1 August 2016	437,710	50,076	487,786
Charge for the year	<u>32,782</u>	<u>10,824</u>	<u>43,606</u>
At 31 July 2017	<u>470,492</u>	<u>60,900</u>	<u>531,392</u>
Carrying amount			
At 31 July 2017	<u>30,691</u>	<u>22,076</u>	<u>52,767</u>
At 31 July 2016	<u>63,473</u>	<u>11,949</u>	<u>75,422</u>

6. Investments

	Shares in group undertakings £
Cost	
At 1 Aug 2016 and 31 Jul 2017	<u>695</u>
Impairment	
At 1 Aug 2016 and 31 Jul 2017	<u>–</u>
Carrying amount	
At 31 July 2017	<u>695</u>

On 10 February 2016 the company purchased 1000 shares of Common Stock in Phase Focus Inc whose registered address is 3500 South DuPont Highway, Dover, Kent, Delaware, United States of America.

Phase Focus Limited
Notes to the Financial Statements *(continued)*
Year ended 31 July 2017

7. Stocks

	2017	2016
	£	£
Finished goods and goods for resale	<u>93,313</u>	<u>7,714</u>

8. Debtors

	2017	2016
	£	£
Trade debtors	143,323	134,636
Other debtors	<u>75,986</u>	<u>60,982</u>
	<u>219,309</u>	<u>195,618</u>

9. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	171,998	124,153
Social security and other taxes	33,596	28,744
Amounts owed to related parties	12,986	10,234
Other creditors	<u>163,880</u>	<u>16,731</u>
	<u>382,460</u>	<u>179,862</u>

10. Related party transactions

During the year ended 31 July 2017 the company purchased management services and were recharged expenses from IP Group PLC totalling £18,168 (2016: £18,038). The company owed IP Group PLC £3,600 at the year end (2016: £1,836) by way of trade creditor and owed £Nil (2016: £4,500) by way of an accrual.

During the year ended 31 July 2017 the company purchased management services totalling £18,000 (2016: £18,000) from OMBU Limited, a shareholder in the company. The company owed OMBU Limited £1,346 at the year end (2016: £1,800) by way of trade creditor and owed £1,500 (2016: £Nil) by way of an accrual.

During the year ended 31 July 2017 the company purchased sales and marketing services from its subsidiary undertaking Phase Focus Inc, a company registered in the United States of America, totalling £183,686 (2016: £104,581). The company was owed £1,965 from Phase Focus Inc at the year end (2016: £5,158 owed by Phase Focus Limited).

During the year ended 31 July 2017 the company purchased services totalling £11,084 (2016: £22,167) from the University of Sheffield, a shareholder in the company. The company owed the University of Sheffield £Nil at the year end (2016: £Nil) by way of trade creditor. A prepayment for the services totalling £Nil (2016: £9,236) existed at the year end.

During the year ended 31 July 2017 the company purchased professional services totalling £14,900 (2016: £14,750) from Suel Limited, a company 100% owned by the University of Sheffield. The company owed Suel Limited £1,440 at the year end (2016: £1,440) by way of trade creditor.

During the year ended 31 July 2017 the company purchased services totalling £22,000 (2016: £36,122) from the University of York, a shareholder in the company. The company owed the University of York £6,600 at the year end (2016: £Nil) by way of trade creditor. A prepayment for the services totalling £4,068 (2016: £6,568) existed at the year end.

Phase Focus Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2017

11. Share capital

Allotted, called up and fully paid:

	2017		2016	
	No.	£	No.	£
Ordinary shares of £0.10 each	36,716	3,672	36,716	3,672
A Ordinary shares of £0.10 each	37,275	3,727	37,275	3,727
B Ordinary shares of £0.10 each	35,480	3,548	18,921	1,892
H Ordinary shares of £0.10 each	5,478	548	5,478	548
	<u>114,949</u>	<u>11,495</u>	<u>98,390</u>	<u>9,839</u>

On 6th July 2017 the company issued 16,559 B Ordinary shares of £0.10 each, for total consideration of £1,750,286, settled in cash.

Classes of Share

In summary and except as otherwise provided in the Articles all classes of share rank *pari passu* in voting right as though they were Ordinary Shares. Only Ordinary, A Ordinary and B Ordinary shares shall rank *pari passu* in the right to participate in dividends.

On liquidation or other return of capital, the surplus assets after payment of the Company's liabilities shall be distributed firstly in paying to the holders of B Ordinary Shares a sum equal to the amount subscribed for such shares; secondly in paying the holders of A Ordinary Shares a sum equal to the amount subscribed for such shares; thirdly in paying the holders of Ordinary Shares a sum equal to the amount subscribed for such shares; fourthly in paying the H Shareholder(s) an aggregate sum equal to (X + Y) based proportionately to the number of H Ordinary Shares held by the H Shareholder(s) at such time (X is 2.5% of such sum (if any) as shall equal the surplus assets available after payment of the Company's liabilities to the extent such sum is in excess of £12,000,000; and Y is 2.5% of such sum as shall equal the surplus assets available after payment of the Company's liabilities to the extent such sum is in excess of £16,000,000); and only in the event that the surplus assets available after payment of the Company's liabilities exceed £100,000,000 in paying the G Shareholder(s) an aggregate sum of £100,000 based proportionately to the number of G Ordinary Shares held by the G Shareholder(s) at such time and fifthly in distributing the balance amongst the holders of the Equity Shares (Ordinary Shares, A Ordinary Shares and B Ordinary Shares) as if the same constituted one class *pro rata* in proportion to the number of Equity Shares held by them respectively.

12. Controlling party

The company considers there to be no ultimate controlling party.

13. Transition to FRS 102

These are the first financial statements that comply with FRS 102 1a. The company transitioned to FRS 102 1a on 1 January 2015.

No transitional adjustments were required in equity or profit or loss for the year.

14. Disclosure under section 444 (5b) of the Companies Act 2006

The Report of the Auditors was unqualified.
David Morrith (Senior Statutory Auditor)
for and on behalf of
KPMG LLP.