
ABCODIA LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



LAKIN ROSE
CHARTERED ACCOUNTANTS

ABCODIA LIMITED

COMPANY INFORMATION

Directors

A M Elder
I J Jacobs
S Mir
C J Poole
A J M Richards
J C Rutherford
R A Sandberg
J C Tyers (J C Barnes)

Registered number

07383925

Registered office

1 Park Row
Leeds
LS1 5AB

Independent auditors

Lakin Rose Limited
Chartered Accountants & Statutory Auditors
Pioneer House
Vision Park
Histon
Cambridge
CB24 9NL

ABCODIA LIMITED

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ABCODIA LIMITED
REGISTERED NUMBER: 07383925

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	4	13,424	21,478
Tangible assets	5	1,877	113,772
		<u>15,301</u>	<u>135,250</u>
Current assets			
Debtors: amounts falling due within one year	7	197,389	328,207
Cash at bank and in hand	8	435,273	714,370
		<u>632,662</u>	<u>1,042,577</u>
Creditors: amounts falling due within one year	9	(356,083)	(2,041,026)
Net current assets/(liabilities)		<u>276,579</u>	<u>(998,449)</u>
Total assets less current liabilities		<u>291,880</u>	<u>(863,199)</u>
Creditors: amounts falling due after more than one year	10	(2,211,520)	(58,816)
Provisions for liabilities			
Net liabilities		<u>(1,919,640)</u>	<u>(922,015)</u>
Capital and reserves			
Called up share capital		540	540
Share premium account	13	6,771,408	6,771,408
Foreign exchange reserve	13	271,107	(184,446)
Other reserves	13	519,494	399,494
Profit and loss account	13	(9,482,189)	(7,909,011)
		<u>(1,919,640)</u>	<u>(922,015)</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.

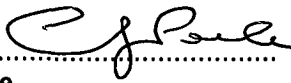
The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the consolidated statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

ABCODIA LIMITED
REGISTERED NUMBER: 07383925

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
28th SEPTEMBER 2018


.....
C J Poole
Director

The notes on pages 5 to 18 form part of these financial statements.

ABCODIA LIMITED
REGISTERED NUMBER: 07383925

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	4	13,424	21,478
Tangible assets	5	1,877	2,711
Investments	6	1	643
		<u>15,302</u>	<u>24,832</u>
Current assets			
Debtors: amounts falling due within one year	7	190,684	364,352
Cash at bank and in hand	8	411,334	655,951
		<u>602,018</u>	<u>1,020,303</u>
Creditors: amounts falling due within one year	9	(154,893)	(1,987,939)
Net current assets/(liabilities)		<u>447,125</u>	<u>(967,636)</u>
Total assets less current liabilities		<u>462,427</u>	<u>(942,804)</u>
Creditors: amounts falling due after more than one year	10	(2,211,520)	-
Net liabilities		<u>(1,749,093)</u>	<u>(942,804)</u>
Capital and reserves			
Called up share capital		540	540
Share premium account	13	6,771,408	6,771,408
Other reserves	13	519,494	399,494
Profit and loss account	13	(9,040,535)	(8,114,246)
		<u>(1,749,093)</u>	<u>(942,804)</u>

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


The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the consolidated statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

ABCODIA LIMITED
REGISTERED NUMBER: 07383925

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
28TH SEPTEMBER 2018


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C J Poole
Director

The notes on pages 5 to 18 form part of these financial statements.

ABCODIA LIMITED

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

1. General information

The company is a private company limited by shares and is incorporated in England and Wales. The registered office is 1 Park Row, Leeds, LS1 5AB.

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.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

2.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue as a going concern for the foreseeable future. The company has received additional funding of £2,000,000 in the form of convertible loan notes since the balance sheet date and accordingly the directors believe it appropriate to prepare the financial statements on the going concern basis.

2.4 Cash flow

The financial statements do not include a Cash flow statement because the group, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard 102 Section 1A.

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

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 group 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.

Amounts received or receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the relevant agreement have been satisfied or are recognised over the period to completion of the relevant phase of development, which is consistent with the principle that revenue is recognised in accordance with the company's performance under the relevant contract.

2.6 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.

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

2. Accounting policies (continued)

2.7 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.

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:

Plant and machinery	- 25% straight line
Office equipment	- 25% 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 consolidated statement of comprehensive income.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

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.

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.11 Convertible debt

The proceeds received on issue of the group's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

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

2. Accounting policies (continued)

2.12 Finance costs

Finance costs are charged to the consolidated 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 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with fair value of goods and services received.

2.14 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

2.15 Leased assets: the group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

The group contributes to pension plans of its employees and the pension charge represents the amounts payable by the group to such plans in respect of the period.

2.17 Taxation

Tax is recognised in the consolidated 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 balance sheet date in the countries where the company and the group operate and generate income.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

2.19 Research and development

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

3. Employees

The average monthly number of employees, including directors, during the year was 10 (2016 - 17).

ABCODIA LIMITED

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

4. Intangible assets

Group and Company

	Computer software £
Cost	
At 1 January 2017	21,478
At 31 December 2017	<u>21,478</u>
Amortisation	
Charge for the year	8,054
At 31 December 2017	<u>8,054</u>
Net book value	
At 31 December 2017	<u>13,424</u>
At 31 December 2016	<u>21,478</u>

ABCODIA LIMITED

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

5. Tangible fixed assets

Group

	Plant and machinery £	Office equipment £	Total £
Cost or valuation			
At 1 January 2017	132,725	29,214	161,939
Disposals	(121,217)	(18,478)	(139,695)
Exchange adjustments	(11,508)	(1,754)	(13,262)
At 31 December 2017	-	8,982	8,982
Depreciation			
At 1 January 2017	35,011	13,156	48,167
Charge for the year on owned assets	6,606	6,260	12,866
Disposals	(38,582)	(11,714)	(50,296)
Exchange adjustments	(3,035)	(597)	(3,632)
At 31 December 2017	-	7,105	7,105
Net book value			
At 31 December 2017	-	1,877	1,877
At 31 December 2016	97,714	16,058	113,772

ABCODIA LIMITED

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

5. Tangible fixed assets (continued)

Company

	Office equipment £
Cost or valuation	
At 1 January 2017	8,982
At 31 December 2017	8,982
Depreciation	
At 1 January 2017	6,271
Charge for the year on owned assets	834
At 31 December 2017	7,105
Net book value	
At 31 December 2017	1,877
At 31 December 2016	2,711

6. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Abcodia, Inc.	Ordinary	100 %
Abcodia CS Ltd	Ordinary	100 %

ABCODIA LIMITED

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

6. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	643
At 31 December 2017	643
Impairment	
Charge for the period	642
At 31 December 2017	642
Net book value	
At 31 December 2017	1
At 31 December 2016	643

7. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	8,990	113,719	8,990	113,719
Amounts owed by group undertakings	-	-	-	45,528
Other debtors	165,177	198,569	160,390	189,980
Prepayments and accrued income	23,222	15,919	21,304	15,125
	<u>197,389</u>	<u>328,207</u>	<u>190,684</u>	<u>364,352</u>

ABCODIA LIMITED

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

8. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	435,273	714,370	411,334	655,951
	435,273	714,370	411,334	655,951

9. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Convertible loans	-	1,597,975	-	1,597,975
Trade creditors	9,780	90,643	2,124	83,747
Amounts owed to group undertakings	-	-	-	45,528
Other taxation and social security	6,489	22,673	6,489	22,673
Obligations under finance lease and hire purchase contracts	-	20,759	-	-
Other creditors	-	9,314	-	4,952
Accruals and deferred income	339,814	299,662	146,280	233,064
	356,083	2,041,026	154,893	1,987,939

The following liabilities were secured:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Convertible loans	-	1,597,975	-	1,597,975
	-	1,597,975	-	1,597,975

Details of security provided:

The loans are secured by a fixed and floating charge on the assets of the company.

ABCODIA LIMITED

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

10. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Convertible loans	2,211,520	-	2,211,520	-
Net obligations under finance leases and hire purchase contracts	-	58,816	-	-
	<u>2,211,520</u>	<u>58,816</u>	<u>2,211,520</u>	<u>-</u>

The following liabilities were secured:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Convertible loans	2,211,520	-	-	2,211,520
	<u>2,211,520</u>	<u>-</u>	<u>-</u>	<u>2,211,520</u>

Details of security provided:

The loans are secured by a fixed and floating charge on the assets of the company.

11. Loans

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Convertible loans	-	1,597,975	-	1,597,975
	<u>-</u>	<u>1,597,975</u>	<u>-</u>	<u>1,597,975</u>
Amounts falling due 2-5 years				
Convertible loans	2,211,520	-	2,211,520	-
	<u>2,211,520</u>	<u>1,597,975</u>	<u>2,211,520</u>	<u>1,597,975</u>

ABCODIA LIMITED

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

12. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £
Within one year	-	20,759
Between 1-5 years	-	20,759
Over 5 years	-	38,057
	<hr/>	<hr/>
	-	79,575
	<hr/>	<hr/>

13. Reserves

Other reserves

Other reserves represent the equity element of convertible debt. The movements in the year relate to the equity element of convertible debt issued in the year.

14. Share based payments

Share based payments The company issues a mix of approved and unapproved share options to directors and employees. Options may be exercised in the event of a trade sale, in addition certain directors performance conditions must be met before their options can be exercised.

The details of the options brought forward and changes in the year are as follows:

As at 1 January 2017

37,750 options were brought forward (20,300 approved, 17,450 unapproved).

3,775 options vested, the remaining options vest over three years.

These options related to 4 directors and 10 staff members.

During the year 8,101 were granted and 17,750 options lapsed.

As at 31 December 2017

28,801 options were carried forward (7,000 approved, 21,101 unapproved).

These options vest over three years.

These options relate to 3 directors only.

These options had exercise prices of either £18.20 or £0.001.

15. Pension commitments

The group contributes to the personal pension plans of its employees. The pension cost charge represents contributions payable by the group and amounted to £15,487 (2016 - £78,732). Contributions totalling £nil (2016 - £4,556) were payable at the balance sheet date.

ABCODIA LIMITED

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

16. Commitments under operating leases

At 31 December 2017 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Not later than 1 year	-	36,551
Later than 1 year and not later than 5 years	-	17,394
	<u>-</u>	<u>53,945</u>

17. Post balance sheet events

In May 2018 the company issued a total of £1,336,667 of secured convertible loan stock and £663,333 of unsecured convertible loan stock. Interest is due on the secured loan stock at a rate of 10% per annum until 1 July 2020, and at a rate of 50% per annum thereafter until its scheduled repayment in 2023. Interest is due on the unsecured loan stock at a rate of 10% per annum until its scheduled repayment in 2023.

18. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2017 was unqualified.

The audit report was signed on 28/9/2018 by Christopher Dougherty (senior statutory auditor) on behalf of Lakin Rose Limited.