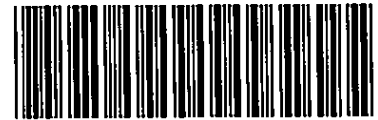


COMPANY REGISTRATION NUMBER 6029069

ABSYNTH BIOLOGICS LIMITED
FINANCIAL STATEMENTS
31 JULY 2013

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COMPANIES HOUSE

KPMG LLP
Chartered Accountants & Statutory Auditor
1 The Embankment
Neville Street
Leeds
LS1 4DW

ABSYNTH BIOLOGICS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2013

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ABSYNTH BIOLOGICS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2013

The directors present their report and the financial statements of the company for the year ended 31 July 2013

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is principally engaged in focusing on new vaccines and treatments for bacterial infections

There was a loss for the year before taxation amounting to £324,238 (2012 £256,670)

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

DIRECTORS

The directors who served the company during the year were as follows

S Gall	(resigned 10 July 2013)
P Grant	
D Baynes	(resigned 10 July 2013)
S Foster	
F A O Marston	
J Garcia-Lara	
D Knowles	
NWF4B Directors Limited	(appointed 10 July 2013)

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each 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 a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Certain directors benefited from qualifying third party indemnity provisions in place during the year and at the date of this report

AUDITOR

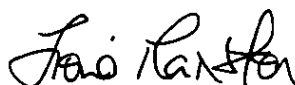
KPMG LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

Registered office
The Sheffield Biocubator
40 Leavygreave Road
Sheffield
S3 7RD

Signed on behalf of the directors



F Marston

Director

Approved by the directors on 11th February 2014

ABSYNTH BIOLOGICS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 JULY 2013

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 they elected to prepare the financial statements in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) and applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities). 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 year.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABSYNTH BIOLOGICS LIMITED

YEAR ENDED 31 JULY 2013

We have audited the financial statements of Absynth Biologics Limited for the year ended 31 July 2013 on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is in the research and development stage of its activities and therefore requires funding from existing or new investors to cover working capital requirements. The company held cash of £544,962 at 31 July 2013 which is forecast to last until May 2014. Although the directors expect that additional funding will be received in April 2014 to allow the company to continue in operation, there can be no certainty of this. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

ABSYNTH BIOLOGICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABSYNTH BIOLOGICS LIMITED *(continued)*

YEAR ENDED 31 JULY 2013

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report



DAVID MORRITT (Senior Statutory Auditor)
For and on behalf of
KPMG LLP
Chartered Accountants & Statutory Auditor

1 The Embankment
Neville Street
Leeds
LS1 4DW

20 February 2014

ABSYNTH BIOLOGICS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2013

	Note	2013 £	2012 £
TURNOVER	2	43,133	256,567
Cost of sales		<u>(52,269)</u>	<u>(215,809)</u>
GROSS (LOSS)/PROFIT		(9,136)	40,758
Administrative expenses		<u>(366,606)</u>	<u>(334,563)</u>
Other operating income		<u>42,047</u>	<u>49,741</u>
OPERATING LOSS	3	(333,695)	(244,064)
Interest receivable	5	85	449
Interest payable and similar charges		<u>(12,704)</u>	<u>(13,055)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(346,314)	(256,670)
Tax on loss on ordinary activities	6	22,076	-
LOSS FOR THE FINANCIAL YEAR		(324,238)	(256,670)
Balance brought forward		<u>(757,461)</u>	<u>(500,791)</u>
Balance carried forward		<u>(1,081,699)</u>	<u>(757,461)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

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

ABSYNTH BIOLOGICS LIMITED

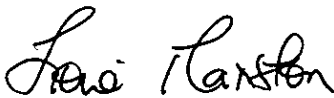
BALANCE SHEET

31 JULY 2013

	Note	2013 £	£	2012 £
FIXED ASSETS				
Intangible assets	7		<u>9,703</u>	<u>12,021</u>
CURRENT ASSETS				
Debtors	8	89,572		17,688
Cash at bank		<u>544,962</u>		<u>87,441</u>
		634,534		105,129
CREDITORS: Amounts falling due within one year	9	<u>137,219</u>		<u>786,222</u>
NET CURRENT ASSETS/(LIABILITIES)			<u>497,315</u>	<u>(681,093)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>357,315</u>	<u>(669,072)</u>
CREDITORS: Amounts falling due after more than one year	10		<u>1,061,200</u>	<u>87,236</u>
			<u>(554,182)</u>	<u>(756,308)</u>
CAPITAL AND RESERVES				
Called-up equity share capital	12		1,968	1,153
Share premium account	13		525,549	-
Profit and loss account			<u>(1,081,699)</u>	<u>(757,461)</u>
DEFICIT			<u>(554,182)</u>	<u>(756,308)</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These accounts were approved by the members and authorised for issue on ^{11th} February 2014 and are signed on their behalf by



F Marston

Company Registration Number 6029069

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

ABSYNTH BIOLOGICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2013

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

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 and development 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.

The company held cash balances of £544,962 at 31 July 2013 with these funds expected to cover the working capital requirements of the company up to May 2014. The directors forecast that additional funding will be required by April 2014. Such funds are likely to come from existing investors, new investors or corporate partners and the directors have no reason to believe these funds will not become available when required.

However, there can be no certainty in relation to these matters and the potential inability to raise additional funding, which is reliant on uncertain future events, represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operation 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.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

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 economic life of that asset as follows:

to nil by equal annual instalments over 10 years

ABSYNTH BIOLOGICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2013

1. ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2. TURNOVER

The turnover and profit before tax are attributable to the principal activity of the company

3. OPERATING LOSS

Operating loss is stated after charging

	2013	2012
	£	£
Staff pension contributions	458	–
Amortisation of intangible assets	2,318	2,318
Research and development expenditure	157,022	361,842
Auditor's fees	<u>1,400</u>	<u>1,350</u>

4. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2013	2012
	£	£
Aggregate remuneration	<u>64,965</u>	<u>51,874</u>

5. INTEREST RECEIVABLE

	2013	2012
	£	£
Bank interest receivable	<u>85</u>	<u>449</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Interest on loans from related parties	<u>12,704</u>	<u>13,055</u>

ABSYNTH BIOLOGICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2013

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2013	2012
	£	£
Current tax		
UK Corporation tax based on the results for the year at 20% (2012 - 20%)	(22,076)	-
Total current tax	<u>(22,076)</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2012 - 20%)

	2013	2012
	£	£
Loss on ordinary activities before taxation	<u>(346,314)</u>	<u>(256,670)</u>
Loss on ordinary activities by rate of tax	(60,432)	(51,334)
Expenses not deductible for tax purposes	106	-
Unrelieved tax losses	16,174	62,694
Adjustments to tax charge in respect of previous periods	-	(11,360)
R&D tax credit	<u>22,076</u>	<u>-</u>
Total current tax (note 6(a))	<u>(22,076)</u>	<u>-</u>

8. INTANGIBLE FIXED ASSETS

	Patents and Licences
	£
COST	
At 1 August 2012 and 31 July 2013	<u>23,179</u>
AMORTISATION	
At 1 August 2012	11,158
Charge for the year	<u>2,318</u>
At 31 July 2013	<u>13,476</u>
NET BOOK VALUE	
At 31 July 2013	<u>9,703</u>
At 31 July 2012	<u>12,021</u>

ABSYNTH BIOLOGICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2013

9. DEBTORS

	2013	2012
	£	£
Trade debtors	8,150	7,391
Amounts owed by related parties	40,040	–
VAT recoverable	12,708	9,452
Other debtors	27,789	–
Prepayments and accrued income	885	845
	<u>89,572</u>	<u>17,688</u>

10. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	34,399	6,779
Amounts owed to group undertakings	–	605,477
PAYE and social security	6,499	1,258
Amounts owed to related parties	78,003	43,594
Accruals and deferred income	18,318	129,114
	<u>137,219</u>	<u>786,222</u>

Fusion IP (Sheffield) Limited ceased to be a 'group undertaking' on the issue of new share capital on 10 July 2013

Included within 'Amounts owed to related parties' is a trade creditor totalling £13,500 due to Fusion IP (Sheffield) Limited

ABSYNTH BIOLOGICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2013

11. CREDITORS: Amounts falling due after more than one year

	2013	2012
	£	£
Amounts owed to group undertakings	–	27,236
Amounts owed to related parties	<u>1,061,200</u>	<u>60,000</u>
	<u>1,061,200</u>	<u>87,236</u>

Fusion IP (Sheffield) Limited ceased to be a 'group undertaking' on the issue of new share capital on 10 July 2013

The Company agreed with Fusion IP (Sheffield) Limited on 14 July 2013 to consolidate this and further loans from Fusion IP (Sheffield) Limited into one convertible loan note that will be free of interest. The total amount owing to Fusion IP (Sheffield) Limited is £921,200 with the terms of the loan being that it becomes repayable, so far as not converted, in full on March 2023 or earlier if holders of 75% of the outstanding loan notes serve written notice requesting redemption in full and such redemption has the prior written consent of the Northwest Fund (Biomedical) LP and Absynth Biologics Ltd

Also included within 'Amounts owed to related parties' is a loan totalling £140,000 (2012 £60,000) from the University of Sheffield. The loan interest is calculated at 3% above six month LIBOR and is paid monthly in arrears. The loan becomes repayable on 10 May 2015

12. RELATED PARTY TRANSACTIONS

During the year ended 31 July 2013 the Company purchased services totalling £273,188 from the University of Sheffield (2012 £370,168) which has an associated interest in Fusion IP Plc. The Company owed the University of Sheffield £47,841 at the year end (2012 £42,612)

Also during the year ended 31 July 2013 the Company received an additional loan of £80,000 (2012 £60,000) from the University of Sheffield which accumulated interest of (2012 £597). At the year end the loan totalling £140,000 (2012 £60,000) and interest of £nil (2012 £213) were still outstanding to the University of Sheffield

During the year ended 31 July 2013, the Company purchased management and recharged expenses totalling £7,192 (2012 £5,702) from Suel Limited, a wholly owned subsidiary of the University of Sheffield. The Company owed Suel Limited £1,038 at the year end (2012 £618)

During the year ended 31 July 2013 the Company purchased management services from Fusion IP (Sheffield) Limited of £24,504 (2012 £12,000). At the year end the Company owed Fusion IP (Sheffield) Limited £13,500 by way of a trade creditor, this is set out in note 10. Loan amounts owed to Fusion IP (Sheffield) Limited are set out in notes 10 and 11

During the year ended 31 July 2013 the Company purchased management services from Spark Impact Limited, managers of The North West Fund who are shareholders in the company totalling £12,012. The Company owed Spark Impact Limited £12,012 at the year end

During the year ended 31 July 2013 the Company purchased management services from S Foster, a director of the Company, £1,667 (2012 £nil). The Company owed S Foster £1,667 at the year end (2012 £nil)

During the year ended 31 July 2013 the Company purchased management services from D Knowles, a director of the Company, £12,128 (2012 £nil). The Company owed D Knowles

£1,083 at the year end (2012 £nil)

ABSYNTH BIOLOGICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2013

12. RELATED PARTY TRANSACTIONS *(continued)*

During the year ended 31 July 2013 the Company paid expenses of £7,517 (2012 £4,743) to Fiona Marston, a director of the Company. The Company owed Fiona Marston £861 at the year end (2012 £151)

13. SHARE CAPITAL

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary shares (2012 - 1,153) of £1 each	<u>1,968</u>	<u>1,968</u>	<u>1,153</u>	<u>1,153</u>

On 22 March 2013, Fusion IP (Sheffield) Limited subscribed for 200 Ordinary £1 shares of the company for cash consideration of £140,000

On 10 July 2013, NWF (Biomedical) LP subscribed for 572 A Ordinary £1 shares of the company for a total cash consideration of £400,400. £40,040 of this total cash consideration shall be retained by NWF (Biomedical) LP pending fulfilment of conditions to NWF (Biomedical) LP's satisfaction. This amount owed to the company is set out in Note 8 'Amounts owed by related parties'

Also on 10 July 2013, Fusion IP (Sheffield) Limited subscribed for 43 A Ordinary £1 shares of the company for cash consideration of £30,100

Also on 10 July 2013, Fusion IP (Sheffield) Limited agreed to cancel 200 Ordinary £1 shares and be re-issued with 200 A Ordinary shares

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium account	Profit and loss account	Total share-holders' funds
	£	£	£	£
Balance brought forward	1,153	–	(757,461)	(756,308)
Loss for the year	–	–	(324,238)	(324,238)
Other movements				
New equity share capital subscribed	<u>815</u>	<u>525,549</u>	–	<u>526,364</u>
Balance carried forward	<u>1,968</u>	<u>525,549</u>	<u>(1,081,699)</u>	<u>(554,182)</u>