

Company Registration No. 04564594 (England and Wales)

MICROTEST MATRICES LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
PAGES FOR FILING WITH REGISTRAR

MICROTEST MATRICES LIMITED

CONTENTS

	Page
Balance sheet	1 - 2
Notes to the financial statements	3 - 11

MICROTEST MATRICES LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2017**

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Intangible assets	4		163,765		201,881
Tangible assets	5		148,535		198,046
Investments	6		303,723		303,723
			<u>616,023</u>		<u>703,650</u>
Current assets					
Stocks		31,137		63,689	
Debtors	7	270,115		328,032	
Cash at bank and in hand		1,650		-	
		<u>302,902</u>		<u>391,721</u>	
Creditors: amounts falling due within one year	8	<u>(2,217,349)</u>		<u>(1,643,564)</u>	
Net current liabilities			<u>(1,914,447)</u>		<u>(1,251,843)</u>
Total assets less current liabilities			<u>(1,298,424)</u>		<u>(548,193)</u>
Capital and reserves					
Called up share capital	10		3,172		2,824
Share premium account			10,836,011		10,455,425
Equity reserve			44,252		30,733
Other reserves			533,109		1,081,620
Profit and loss reserves			(12,714,968)		(12,118,795)
Total equity			<u>(1,298,424)</u>		<u>(548,193)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 December 2017 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

MICROTEST MATRICES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2017

The financial statements were approved by the board of directors and authorised for issue on 9 February 2018 and are signed on its behalf by:

Mr V Levi D'Ancona
Director

Company Registration No. 04564594

MICROTEST MATRICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Microtest Matrices Limited is a private company limited by shares incorporated in England and Wales. The registered office is Ugli Building Level 1, Block C, 56 Wood Lane, London, W12 7SB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

These financial statements have been prepared on the going concern basis. The directors consider that the company will be able to generate sufficient income and raise sufficient finance to fund its operations for the foreseeable future and to meet its liabilities as they fall due.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1.4 Research and development expenditure

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

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents	20% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	25% reducing balance
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

MICROTEST MATRICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies **(Continued)**

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Short term trade debtors are measured at transaction price, less any impairment. Other debtors are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, less any impairment.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

MICROTEST MATRICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Short term trade creditors are measured at transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost.

1.12 Compound instruments

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

MICROTEST MATRICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

MICROTEST MATRICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****2 Judgements and key sources of estimation uncertainty (Continued)****Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Share options

The company has granted share options. The options have been calculated using the Black-Scholes model which requires judgement in determining and assessing key assumptions and therefore results in estimation uncertainty.

Loan notes

The company has issued convertible loan notes. The fair value of the liability component is estimated using the prevailing interest rate for a similar non-convertible instrument and amortised using the effective interest method which therefore results in some estimation uncertainty.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 6 (2016 - 7).

4 Intangible fixed assets

	Patents
	£
Cost	
At 1 January 2017	619,244
Additions	33,741
	<hr/>
At 31 December 2017	652,985
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Amortisation and impairment	
At 1 January 2017	417,363
Amortisation charged for the year	71,857
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At 31 December 2017	489,220
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Carrying amount	
At 31 December 2017	163,765
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At 31 December 2016	201,881
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MICROTEST MATRICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017**

5	Tangible fixed assets	Plant and machinery etc £
	Cost	
	At 1 January 2017 and 31 December 2017	506,199
	Depreciation and impairment	
	At 1 January 2017	308,153
	Depreciation charged in the year	49,511
	At 31 December 2017	357,664
	Carrying amount	
	At 31 December 2017	148,535
	At 31 December 2016	198,046

6	Fixed asset investments	Shares in group undertakings and participating interests £	Loans to group undertakings and participating interests £	Total £
	Cost or valuation			
	At 1 January 2017 & 31 December 2017	25,210	299,025	324,235
	Impairment			
	At 1 January 2017 & 31 December 2017	20,512	-	20,512
	Carrying amount			
	At 31 December 2017	4,698	299,025	303,723
	At 31 December 2016	4,698	299,025	303,723

Shares in group undertakings and participating interests represent the company's 100% interest in the ordinary share capital of Microtest Matrices Inc, Microtest Scandinavia AB and Microtest GmbH.

Loans to group undertakings and participating interests represent the company's 100% interest in the ordinary share capital of MRT Laboratories Inc.

MICROTEST MATRICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017**

7 Debtors	2017	2016
Amounts falling due within one year:	£	£
Trade debtors	9,342	-
Corporation tax recoverable	174,337	213,858
Amounts owed by group undertakings	50,201	72,314
Other debtors	36,235	41,860
	<u>270,115</u>	<u>328,032</u>
	<u><u>270,115</u></u>	<u><u>328,032</u></u>
8 Creditors: amounts falling due within one year	2017	2016
	£	£
Bank loans and overdrafts	-	1,912
Trade creditors	386,130	401,040
Other taxation and social security	54,752	24,344
Other creditors	1,776,467	1,216,268
	<u>2,217,349</u>	<u>1,643,564</u>
	<u><u>2,217,349</u></u>	<u><u>1,643,564</u></u>

Included within other creditors at 31 December 2017 are the following:

- £1,019,800 (2016 - £864,800) secured convertible redeemable 10% loan notes which were issued by the company between January 2016 and March 2017. The loan notes convert to ordinary shares of 1p each on the earlier of the company raising £1,500,000 and the maturity date of 30 April 2018. The conversion price is £7.20 per share.
- £117,100 (2016 - £Nil) secured convertible redeemable 15% loan notes which were issued by the company in December 2017. The loan notes can be converted at the election of the loan note holder to ordinary shares of 1p each on or before the maturity date of 30 June 2019. The conversion price is £12 per share. If the loan notes are not converted on or before the maturity date, they are automatically redeemed.
- In addition, included within other creditors at 31 December 2017 are £200,000 (2016 - £125,000) secured redeemable 20% loan notes which were issued by the company between December 2016 and April 2017. The maturity date on these loan notes is 30 April 2018.

MICROTEST MATRICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****9 Share-based payment transactions**

The company has taken advantage of transitional exemptions not to apply FRS102 1A to any share-based payment transactions entered into before the transition date of 1 January 2015.

The total number of options granted prior to transition to FRS102 1A that were exercisable at 31 December 2017 were 15,658 (2016 - 31,308), they had an exercise price ranging from £32.90 per share to £84.56 per share and at 31 December 2017 had an average remaining contractual life of 6 years.

The following information therefore only discloses information about share-based payment transactions granted on or after 1 January 2015:

	Number of share options		Weighted average exercise price	
	2017 Number	2016 Number	2017 £	2016 £
Outstanding at 1 January 2017	47,659	26,520	26.99	32.90
Granted	104,108	21,430	12.00	19.41
Exercised	(3,000)	-	0.01	-
Expired	(9,301)	(291)	35.02	32.90
	<u>139,466</u>	<u>47,659</u>	<u>16.21</u>	<u>26.99</u>
Outstanding at 31 December 2017	<u>139,466</u>	<u>47,659</u>	<u>16.21</u>	<u>26.99</u>
	<u>139,466</u>	<u>47,659</u>	<u>16.21</u>	<u>26.99</u>

Inputs were as follows:

	2017	2016
Weighted average share price	10.96	35.09
Weighted average exercise price	16.21	26.99
Expected volatility	50.00	50.00
Expected life	6.00	7.00
Risk free rate	1.24	1.24

During the year, the company recognised a credit relating to share-based payments of £548,511 (2016 - cost of £931,716).

10 Called up share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
317,190 (2016 - 282,448) Ordinary shares of 1p each	<u>3,172</u>	<u>2,824</u>

During the year, 34,742 ordinary shares of 1p each were issued for a total consideration of £380,934.

MICROTEST MATRICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****11 Operating lease commitments****Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2017	2016
	£	£
Total commitment	180,561	358,354

12 Events after the reporting date

Subsequent to the year end 4,666 ordinary shares of 1p each were issued for a total consideration of £44,002.

13 Related party transactions

Any directors or senior employees who have authority and responsibility for controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals amounted to £95,965 (2016 - £106,356).

In addition, Mr V Levi D'Ancona, director, is also a director of Anglo Scientific Limited. During the year the company was re-charged expenses of £678 (2016 - £4,796) from Anglo Scientific Limited. The company has also accrued costs of £90,000 (2016 - £100,000) for management, business planning, HR, financial planning, debt negotiation and investor relationship activities provided, but not invoiced, in relation to both Professor T Forcht-Dagi and Mr V Levi D'Ancona. At 31 December 2017, included within trade creditors is an amount of £9,112 (2016 - £10,132) and included in accruals is an amount of £190,000 (2016 - £100,000) due to Anglo Scientific Limited. In addition, included within other creditors at 31 December 2017 is an amount of £141,000 (2016 - £125,000) loaned to the company by Anglo Scientific Limited and Mr V Levi D'Ancona on which interest of £15,552 (2016 - £2,500) has been accrued.

14 Control

In the opinion of the directors, the company is not under the control of any individual or organisation.

