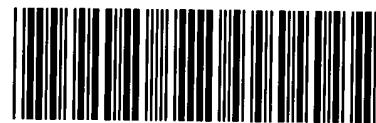


COMPANY REGISTRATION NUMBER 5856137

PHASE FOCUS LIMITED
ABBREVIATED ACCOUNTS
31 JULY 2016

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COMPANIES HOUSE

PHASE FOCUS LIMITED
ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

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PHASE FOCUS LIMITED
INDEPENDENT AUDITOR'S REPORT TO PHASE FOCUS LIMITED
UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages 2 to 8, together with the financial statements of Phase Focus Limited for the year ended 31 July 2016 prepared under Section 396 of the Companies Act 2006.

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our work, for this report, or for the opinions we have formed.


RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors are responsible for preparing the abbreviated accounts in accordance with Section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.



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

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
27/3/2017

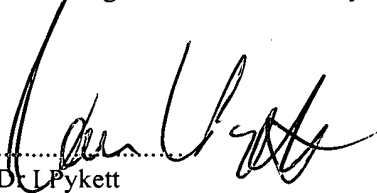
PHASE FOCUS LIMITED
ABBREVIATED BALANCE SHEET

31 JULY 2016

	Note	2016	2015
		£	£
FIXED ASSETS	2		
Intangible assets		51,238	37,248
Tangible assets		75,422	58,837
Investments		695	-
		<u>127,355</u>	<u>96,085</u>
CURRENT ASSETS			
Stocks		7,714	5,253
Debtors		195,618	78,152
Cash at bank and in hand		1,672,560	1,382,745
		<u>1,875,892</u>	<u>1,466,150</u>
CREDITORS: Amounts falling due within one year		<u>(179,862)</u>	<u>(240,498)</u>
NET CURRENT ASSETS		<u>1,696,030</u>	<u>1,225,652</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,823,385</u>	<u>1,321,737</u>
CAPITAL AND RESERVES			
Called up equity share capital	3	9,839	7,399
Share premium account		9,580,443	7,582,385
Profit and loss account		<u>(7,766,897)</u>	<u>(6,268,047)</u>
SHAREHOLDERS' FUNDS		<u>1,823,385</u>	<u>1,321,737</u>

These abbreviated accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

These abbreviated accounts were approved by the directors and authorised for issue on 20 March 2017 and are signed on their behalf by:


.....
D. L. Pykett

Company Registration Number: 5856137

The notes on pages 3 to 8 form part of these abbreviated accounts.

PHASE FOCUS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

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 January 2015).

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.

At 31 July 2016 the company was making significant progress with its continued research, development and commercialisation activities of its lead products and is projected to achieve new sales from Q2 2017. The company held cash balances of £1,672,560 at 31 July 2016, and had £462,399 at the date of signing these accounts, with these current funds and projected sales expected to cover the working capital requirements of the company up to July 2017. The directors therefore forecast that further significant funding will need to be received before July 2017 if the company is to progress the successful commercialisation of its products and to ultimately become cash generative. The three principal investors have provided written confirmation to the company of their intentions to continue to support the business in the 12 months from signing these accounts, subject to the usual process of investor presentations and associated due diligence.

After making enquiries and considering the supportive position of investors 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.

Turnover

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

Research and development

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

PHASE FOCUS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

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:

Amortised to nil by equal annual instalments over 10 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation 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:

Plant & Machinery	-	50% & 33.3% per annum
Office Equipment	-	33.3% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

PHASE FOCUS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

Financial instruments

Following the adoption of FRS25, 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.

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.

Share options

No charge is recognised for share options issued, in accordance with the requirements of FRSSE 2015, the number of options issued and their principal vesting conditions are disclosed in note 3.

PHASE FOCUS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

2. FIXED ASSETS

	Intangible Assets £	Tangible Assets £	Investments £	Total £
COST				
At 1 August 2015	86,209	490,614	-	576,823
Additions	<u>23,391</u>	<u>72,594</u>	<u>695</u>	<u>96,680</u>
At 31 July 2016	<u>109,600</u>	<u>563,208</u>	<u>695</u>	<u>673,503</u>
DEPRECIATION				
At 1 August 2015	48,961	431,777	-	480,738
Charge for year	<u>9,401</u>	<u>56,009</u>	<u>-</u>	<u>65,410</u>
At 31 July 2016	<u>58,362</u>	<u>487,786</u>	<u>-</u>	<u>546,148</u>
NET BOOK VALUE				
At 31 July 2016	<u>51,238</u>	<u>75,422</u>	<u>695</u>	<u>127,355</u>
At 31 July 2015	<u>37,248</u>	<u>58,837</u>	<u>-</u>	<u>96,085</u>

On 10 February 2016 the company purchased 1000 shares of Common Stock in Phase Focus Inc, a company registered in the United States of America, which give the company a 100% shareholding for a cash consideration of £695.

3. SHARE CAPITAL

Allotted, called up and fully paid:

	2016		2015	
	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	18,921	1,892	-	-
H Ordinary shares of £0.10 each	<u>5,478</u>	<u>548</u>	<u>-</u>	<u>-</u>
	<u>98,390</u>	<u>9,839</u>	<u>73,991</u>	<u>7,399</u>

PHASE FOCUS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

3. SHARE CAPITAL *(continued)*

On 18th January 2016 the company issued 4,500 H Ordinary shares of £0.10 each, for total consideration of £450, settled in cash.

On 18th May 2016 the company issued 18,921 B Ordinary shares of £0.10 each, for total consideration of £1,999,950, settled in cash.

Also on 18th May 2016 the company issued 978 H Ordinary shares of £0.10 each, for total consideration of £98, 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.

2011 Option Scheme

On 23 November 2011 the company granted to a non employee options over 100 Ordinary shares at an exercise price of £135.81 per share. 82 of these share options have been vested; the vesting period for the remaining 18 share options has now expired.

No options were exercised during the year.

2014 Option Scheme

On 23 June 2014 the company granted 2 employees options over a total of 3,098 Ordinary shares at an exercise price of £0.10 per share. 2,538 of these share options have been vested; 280 shall vest on 1 August 2016 and 280 shall vest on 1 August 2017.

No options were exercised during the year.

PHASE FOCUS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 JULY 2016

3. SHARE CAPITAL *(continued)*

2016 Option Scheme

On 26 October 2015 the company granted an employee options over a total of 697 Ordinary shares at an exercise price of £0.10 per share. 349 of these share options have been vested; 174 shall vest on 1 August 2016 and 174 shall vest on 1 August 2017.

On 28 October 2015 the company granted an employee options over a total of 1065 Ordinary shares at an exercise price of £0.10 per share. 267 of these share options have been vested; 266 shall vest on 27 July 2017, 266 shall vest on 27 July 2018 and 266 shall vest on 27 July 2019.

On 24 July 2016 the company granted 2 employees options over a total of 2,990 Ordinary shares at an exercise price of £0.10 per share. 748 of these share options shall vest on 13 June 2017, 748 shall vest on 13 June 2018, 747 shall vest on 13 June 2019 and 747 shall vest on 13 June 2020.

No options were exercised during the year.

4. ULTIMATE CONTROLLING PARTY

The directors consider there to be no ultimate controlling party.