

Registered number: 05115093

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**MORVUS TECHNOLOGY LIMITED**

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**ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 OCTOBER 2016**

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**MORVUS TECHNOLOGY LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO MORVUS TECHNOLOGY LIMITED  
UNDER SECTION 449 OF THE COMPANIES ACT 2006**

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We have examined the abbreviated accounts, which comprise the Balance sheet and the related notes, together with the financial statements of Morvus Technology Limited for the year ended 31 October 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 Auditors' 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 AUDITORS**

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 ON FINANCIAL STATEMENTS**

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 which comprise the Balance sheet and the related notes have been properly prepared in accordance with the regulations made under that section.

**OTHER INFORMATION**

On 28 September 2017 we reported as auditors to the members of the company on the financial statements prepared under section 396 of the Companies Act 2006 and our report included the following paragraph:

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**EMPHASIS OF MATTER - GOING CONCERN**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £2,075,481 during the year ended 31 October 2016 and at that date, the Company had net liabilities of £5,450,686. The Company is reliant on both continued financial support from its investors, and additional income arising from external investors.

As explained in note 1 to the financial statements the directors are confident that this will be achieved. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

*Nexia Smith & Williamson*

Andrew Edmonds (Senior statutory auditor)

for and on behalf of  
**Nexia Smith & Williamson**

Statutory Auditor

Cumberland House  
15-17 Cumberland Place  
Southampton  
SO15 2BG

Date: *28<sup>th</sup> September 2017*

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MORVUS TECHNOLOGY LIMITED  
REGISTERED NUMBER: 05115093

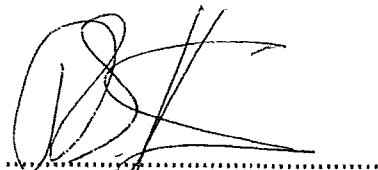
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ABBREVIATED BALANCE SHEET  
AS AT 31 OCTOBER 2016

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	Note	£	2016 £	£	2015 £
<b>FIXED ASSETS</b>					
Investments	2		5,500,694		6,000,694
<b>CURRENT ASSETS</b>					
Debtors		127,918		24,757	
Cash at bank		<u>66,748</u>		<u>220,393</u>	
		194,666		245,150	
<b>CREDITORS:</b> amounts falling due within one year	3	<u>(10,966,046)</u>		<u>(10,357,610)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(10,771,380)</u>		<u>(10,112,460)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(5,270,686)		(4,111,766)
<b>PROVISIONS FOR LIABILITIES</b>					
Other provisions	4		<u>(180,000)</u>		<u>(9,450)</u>
<b>NET LIABILITIES</b>			<u>(5,450,686)</u>		<u>(4,121,216)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	5		138,840		131,893
Share premium account			17,644,977		16,905,913
Profit and loss account			<u>(23,234,503)</u>		<u>(21,159,022)</u>
<b>SHAREHOLDERS' DEFICIT</b>			<u>(5,450,686)</u>		<u>(4,121,216)</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf by:



Mr J Beatson-Hird  
Director

Date: 27.9.17

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## MORVUS TECHNOLOGY LIMITED

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### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2016

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

##### 1.2 Going concern

The company made a loss after tax for the period of £2,075,481 (2015: £3,507,062) and had net current liabilities of £10,771,380 (2015: £10,112,460) at 31 October 2016.

The directors have prepared cash flow forecasts for the 12 month period from the date of their approval of the financial statements. These forecasts include additional support from investors. The forecasts show that the company is reliant on this additional cash in order to meet its future debts as they fall due.

In the year to 31 October 2016 the directors have passed a resolution allowing significant levels of debt to be converted to equity although this had not occurred at 31 October 2016. Conversion of debt to equity has occurred post year end as described in note 6 to the financial statements.

The directors have obtained interim investment since the year end subject to permanent future funding and therefore consider that it is appropriate to prepare the financial statements on a going concern basis.

##### 1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

##### 1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

##### 1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

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MORVUS TECHNOLOGY LIMITED

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NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 OCTOBER 2016

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1. ACCOUNTING POLICIES (continued)

1.6 Share-based payments

The company has issued share options to certain directors and employees. These financial statements have been prepared in accordance with Financial Reporting Standard for Small Entities which does not require equity-settled share based payment arrangements to be recognised as an expense.

1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 398 of the Companies Act 2006 not to prepare group accounts.

2. FIXED ASSET INVESTMENTS

£

Cost or valuation

At 1 November 2015 and 31 October 2016	<u>10,000,694</u>
<b>Impairment</b>	
At 1 November 2015	4,000,000
Increase in impairment	<u>500,000</u>
At 31 October 2016	<u>4,500,000</u>
<b>Net book value</b>	
At 31 October 2016	<u><u>5,500,694</u></u>
At 31 October 2015	<u><u>6,000,694</u></u>

Subsidiary undertakings

The company holds more than 20% of the share capital of the following companies:

Name	Class of shares	Holding
Cardiff Protides Limited	Ordinary	100%
Cardiff Biologicals Limited	Ordinary	100%
Pelythera Pharma Limited	Ordinary	100%

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**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 OCTOBER 2016**

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The aggregate of the share capital and reserves as at 31 October 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Cardiff Protides Limited	-	-
Cardiff Biologicals Limited	-	-
Pelythera Pharma Limited	<u>100</u>	<u>-</u>

**3. CREDITORS:  
Amounts falling due within one year**

Included within 'Other loans' is £9,078,410 (2015: £8,721,591) which relates to a convertible bond, the split of which is £2,135,065 principal and £6,943,345 (2015: £6,586,526) premium.

**4. PROVISIONS**

	Lease Exit costs £	Legal dispute costs £
At 1 November 2015	9,450	-
Additions	-	180,000
Amounts released	<u>(9,450)</u>	<u>-</u>
At 31 October 2016	<u>-</u>	<u>180,000</u>

**Lease exit costs**

In 2012 Morvus Technology Limited had surrendered its lease in Carmathen and therefore had provided for the expected exit costs of £61,844 for the lease. These costs were fully paid and settled in 2013, apart from £9,450, which relates to potential moving costs to be incurred. The lease exit costs have been released in the year.

**Legal dispute costs**

During the year ended 31 October 2016, Morvus Technology Limited were involved in a contractual dispute, which resulted in costs of £570k being recognised in the year. Further costs of £180k have been provided for in respect of the dispute.

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NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 OCTOBER 2016

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5. SHARE CAPITAL

	2016 £	2015 £
<b>Allotted, called up and fully paid</b>		
138,839,291 (2015:131,893,199) Ordinary shares of £0.001 each	<u>138,840</u>	<u>131,893</u>

During the year 6,946,092 Ordinary £0.001 shares were issued for total consideration of £746,010.

6. POST BALANCE SHEET EVENTS

Post balance sheet date the following events have occurred:

- the legal dispute has now been settled, with costs of £485,000 paid out in full and final settlement;
- debenture debt and interest totalling £8,233,417 has been converted to 76,568,160 shares (at 10.74p);
- other debt (including the pension liability in note 15) totalling £137,999 has been converted to 1,277,457 shares (at 10.74p);
- 10,111,828 further shares have been issued (at 10.74p), with consideration totalling £1,086,010;
- 41,732 warrants have been converted.