Bionical Limited

Annual report and consolidated financial statements

Registered number 07059600

31 December 2019

Contents

Company information

Directors	AT Borkowski AD Leaver D Leaver J Waring-Hughes
Registered number	07059600
Registered office	The Piazza Mercia Marina Findern Lane Willington Derbyshire DE65 6DW
Independent auditors	RSM UK Audit LLP Suite A, Seventh Floor City Gate East Tollhouse Hill Nottingham NG1 5FS

Directors' report

The directors present their annual report and the consolidated financial statements for the year ended 31 December 2019.

Principal activity

The Group's principal activity is the provision of healthcare services.

Proposed dividends

The directors do not recommend a payment of a dividend *(2018: £nil).*

Directors

The directors who held office during the year and up to the date of this report were:

AT Borkowski	
AD Leaver	
D Leaver	- appointed 10 January 2019
J Waring-Hughes	- appointed 10 January 2019

Matters of strategic importance

The group has chosen in accordance with Companies Act 2006, s414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of a review of its business for the period, its future developments and its risk management.

Employees

The Group seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment. In particular the Group recognises its responsibilities towards disabled persons and does not discriminate against them in terms of job offers, training or career development and prospects. If an existing employee were to become disabled during the course of employment, every practical effort would be made to retain the employee's services with whatever retraining is appropriate.

The Group's Health & Safety Policy fully recognises the Group's responsibility for the health and safety of employees and members of the community in which they work. The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the Group.

Disclosure of information to auditors

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 auditors are unaware; and each director has 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 auditors are aware of that information.

Auditor

RSM UK Audit LLP were appointed as auditor to the company to fill a casual vacancy. They have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report was approved by the board on 25 November 2020 and signed on its behalf by:

A. T. Borkowski

AT Borkowski
Director

The Piazza
Mercia Marina
Findern Lane
Willington
Derbyshire
DE65 6DW

Strategic report

De-merger

During the prior year, the Group re-organised into two divisions – Bionical EMAS and Bionical Solutions. On 1 January 2019, the Group disposed of the Bionical Solutions division to a related party, Bionical Solutions Group Limited such that from this date, the Group consists only of the Bionical EMAS division.

The Bionical Solutions division has been presented as a discontinued operation, and a profit on disposal of £5.9 million has been recognised. Further details on the de-merger are shown in note 25 of the financial statements.

Business review and key financial performance indicators

Within this report the directors aim to present a fair, balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties the Group faces.

The overall demand for healthcare services in the UK and USA will continue to rise mainly due to an ageing population and medical advances. This ultimately will benefit healthcare services companies such as Bionical. The Group is a leading independent healthcare services provider. Through the supply of our specialised healthcare services, the Group improves outcomes for clients and patients globally.

The Group uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2019	2018*
	£000	£000
Turnover	**70,793**	45,640
Gross margin	**27%**	20%
Adjusted EBITDA	**8,746**	2,116
Operating profit /(loss)	**3,522**	(2,774)
Cash at bank and in hand	**10,053**	9,554
Net assets excluding loans falling due after more than one year	**5,233**	4,060

*The 2018 financial measures and financial position including only the Bionical EMAS division following the de-merger on 1 January 2019 for comparability.

Adjusted EBITDA is operating profit/(loss) adjusted for depreciation, amortisation, share-based payments and exceptional items as presented on the consolidated profit and loss account and other comprehensive income statement. Exceptional items of £3.8million (2018: £2.9million) arose in the year due to a contract loss (2018: restructuring and demerger costs).

During 2019, the Group's turnover has increased by 55%, with gross margin increasing to 27%. This has led to an increased adjusted operating EBITDA of £8.7m (an increase of 413%). Operating losses of £2.8 million in 2018 have been replaced by an operating profit of £3.5 million in 2019. The Group saw growth in turnover across all aspects of the business as relationships with key customers strengthened during the year.

The Directors note that the Group has net liabilities at 31 December 2019 of £4.2 million (2018: £(12.3) million before de-merger, £(6.4) million on 1 January 2019 after de-merger), which is as a result of the majority shareholder funding the Group through long-term debt funding rather than equity.

At the year end, loans of £9.5 million (2018: £16.4 million) have been provided by a related party, which is repayable only at the option of the Company, or on the sale or listing of the Group. Excluding this long-term related party funding, the Group has net assets of £5.2 million (2018: £8.6 million). At 31 December 2019, the Group has cash at bank of £10.1 million (2018: £13.3 million).

Future plans

The directors are confident that the growth achieved in 2019 will continue into the future years, supported by organic growth and continued investment in key people and systems.

Strategic report *(continued)*

Business units

Bionical EMAS is split into three business units: Clinical Trials Supply ('CTS'), Early Access Programme ('EAP') and Clinical Research Organisation ('CRO'). Overall in 2019, turnover of Bionical EMAS has grown by 55% year on year to £70.8 million, with an increase in operating profit to £3.5 million (2018: loss of £2.8 million).

The CTS business unit supplies comparator products to pharmaceutical manufacturers to enable them to complete clinical trials. During 2019 the business unit reported year on year sales growth of 70%. The directors are fully confident that this growth will continue into future years.

The CRO business unit provides clinical operations, data management, pharmacovigilance, medical affairs and regulatory services to pharmaceutical customers as they take their products through the key clinical trial process. The business unit reported year on year sales growth of 38%. During the year a number of key appointments were made which gives the directors confidence that this growth will continue into future years.

The CRO business unit has continued to invest in key appointments that the directors believe will enable the Group to continue with its growth strategy into 2020 and beyond. The directors believe that the impact of the de-merger will be to enable this business unit to be correctly placed within the marketplace to attract new customers and grow accordingly.

The EAP business unit is a division that supplies a range of in-house specialist services to pharmaceutical clients with the end goal of providing access to pre-approved treatments to patients in need around the world. Alongside this, the EAP business unit generates real world evidence through its programs leading to potentially faster approval and reimbursement pathways for its clients. The business unit reported year on year sales growth of over 100%. This is a hugely dynamic area and the Directors are confident that during 2020 and beyond this business unit will start to generate significant increases in revenue.

Going concern

The Group has cash at bank of £10.1 million, net current assets of £7.8 million and net liabilities of £4.2 million at 31 December 2019.

The Group is funded through loan notes due to a company under common control of the majority shareholder. These loan notes are only repayable on a sale or listing of the business, and hence are classified as due in more than one year, and the Directors do not expect these to be repayable in the 12 month period from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and such forecasts have indicated that sufficient funds should be available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Group has been impacted by the COVID-19 Pandemic to a limited extent, however the directors do not believe support from the shareholders will be necessary, as the Group has a strong balance sheet and has continued to trade profitably.

Principal risks and uncertainties

The Group's risk management process includes an assessment of the likelihood and potential impact of a range of events to determine the overall risk level and to identify actions necessary to mitigate their impact. The following risks have been identified as ones which could have a material impact on the future financial performance of the Group and cause results to differ materially from expected and historical results. Additional risks which are not currently known or which are regarded as immaterial could also affect future performance.

Financial risk management

The Group's operations expose it to a variety of financial risks including the effects of credit risk, exchange rate risk and interest rate risk. The directors mitigate these risks by ensuring that the Group is operated in a financially responsible manner, ensuring external debt is kept to a minimum and hedging against foreign exchange rate fluctuations where possible.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Market and customer related risk

The Group supplies services and products to the corporate and public sector markets and is affected by macro-economic conditions. The directors seek to mitigate risks by seeking to minimise its cost base and adapt to market conditions when adverse market events occur and by monitoring credit exposures.

Considering the risks and uncertainties the Group has identified, we are aware that any plans for the future development of the business may be subject to unforeseen events outside our control.

Impact of the UK exiting the European Union ('Brexit')

The directors continually monitor and discuss the impact of Brexit at monthly board meetings. At the date of approval of these financial statements, the uncertainties surrounding the outcome of Brexit are such that the board have put in place measures that will mitigate potential risks to the Group from a no deal or unfavourable deal scenario.

The Board have identified the following risks;

- Supply chain delays – the Group both imports goods from suppliers and exports goods to customers. The Directors acknowledge that in the event of a no-deal Brexit there may be delays at UK borders, and the imposition of customs duties. To mitigate this risk, the Bionical EMAS segment have incorporated a subsidiary both in Ireland and Germany. The risks from custom duties are considered to be low given the UK Government has acknowledged pharmaceuticals as a high priority industry, and that pharmaceuticals typically incur no or low tariffs.
- Working capital – like any business, the Group may be impacted by general economic uncertainty following a no-deal Brexit, leading to a higher working capital requirement. The Directors continually assess the possible financial impact at monthly board meetings.

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Decisions of the Board take into account not just short-term, but also medium and long-term consequences, which are carefully considered and balanced, having regard to the sometimes conflicting needs and priorities of the business, its customers, partners, employees and other stakeholders.

The Directors' report and Strategic report set out in greater detail the Group's policy towards its employees. Value is created through motivated employees, who are of central important to the success of the company, and the directors believe that the culture and core values create an environment for engaged and successful employees.

The success of the company depends on strategic relationships with key partners, customers and suppliers, so the Board maintains ongoing oversight of these. Monthly management packs report to the Board on the status of key relationships, which have Board-level engagement from an operational perspective. Performance is constantly monitored, and customer feedback continuously captured through regular account meetings, which are always attended by management-level, and often director-level, representatives.

The competing needs of the various stakeholders of the Group are monitored and reviewed at management and Board level. Where conflicting needs arise, advice is sought from the wider Board and, as necessary, from trusted external advisors. Through the careful balancing of these needs, the Group seeks to promote success for the long-term benefit of all stakeholders.

This report was approved by the board on 25 November 2020 and signed on its behalf by:

A. T. Borkowski

AT Borkowski
Director

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Bionical Limited

Opinion

We have audited the financial statements of Bionical Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated profit and loss account and other comprehensive income, consolidated and company balance sheets, consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Bionical Limited *(continued)*

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Use of our report

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.

RSM UK Audit LLP

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS

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Consolidated profit and loss account and other comprehensive income
for the year ended 31 December 2019

	Note	**2019 Continuing £000**	**2019 Dis-continued £000**	**2019 Total £000**	2018 Continuing £000	2018 Dis-continued £000	2018 Total £000
Turnover	*3*	**70,793**	**-**	**70,793**	45,640	13,048	58,688
Cost of sales		**(51,871)**	**-**	**(51,871)**	(36,528)	(6,812)	(43,340)
Gross profit		**18,922**	**-**	**18,922**	9,112	6,236	15,348
Administrative expenses		**(10,176)**	**-**	**(10,176)**	(11,886)	(6,379)	(18,265)
Adjusted EBITDA*		**8,746**	**-**	**8,746**	2,116	1,164	3,280
Depreciation	*10*	**(244)**	**-**	**(244)**	(301)	(48)	(349)
Amortisation	*9*	**(760)**	**-**	**(760)**	(1,655)	(1,259)	(2,914)
Share-based payments	*20*	**(463)**	**-**	**(463)**	-	-	-
Exceptional items	*4*	**(3,757)**	**-**	**(3,757)**	(2,934)	-	(2,934)
Operating profit/(loss)	*4*	**3,522**	**-**	**3,522**	(2,774)	(143)	(2,917)
Profit on disposal of operations	*25*	**-**	**5,884**	**5,884**	-	-	-
Interest payable and similar expenses	*7*	**(959)**	**-**	**(959)**	(2,441)	(25)	(2,466)
Profit/(loss) before taxation		**2,563**	**5,884**	**8,447**	(5,215)	(168)	(5,383)
Tax on profit/(loss)	*8*	**(1,038)**	**-**	**(1,038)**	251	(561)	(310)
Profit/(loss) for the year		**1,525**	**5,884**	**7,409**	(4,964)	(729)	(5,693)
Other comprehensive income							
Foreign exchange differences on translation of foreign operations		**200**	**-**	**200**	-	117	117
Other comprehensive income for the year		**200**	**-**	**200**	-	117	117
Total comprehensive income for the year		**1,725**	**5,884**	**7,609**	(4,964)	(612)	(5,576)

Consolidated balance sheet
as at 31 December 2019

	Note	**2019**		2018	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets					
Goodwill	*9*		**691**		2,860
Other intangible assets	*9*		**1,212**		1,422
			1,903		4,282
Tangible assets	*10*		**783**		1,173
			2,686		5,455
Current assets					
Stocks	*12*	**1,853**		732	
Debtors: amounts falling due within one year	*13*	**9,680**		11,003	
Cash at bank and in hand	*14*	**10,053**		13,333	
		21,586		25,068	
Creditors: amounts falling due within one year	*15*	**(13,835)**		(25,589)	
Net current assets/(liabilities)			**7,751**		(521)
Total assets less current liabilities			**10,437**		4,934
Creditors: amounts falling due after more than one year	*16*		**(14,480)**		(16,727)
Provisions for liabilities					
Deferred tax liability	*18*		**(177)**		(499)
Net liabilities			**(4,220)**		(12,292)
Capital and reserves					
Called up share capital	*19*		**-**		-
Share premium account	*19*		**48**		48
Share based payment reserve	*19*		**463**		-
Foreign exchange reserve	*19*		**196**		522
Profit and loss account			**(4,927)**		(12,862)
Shareholders' deficit			**(4,220)**		(12,292)

The financial statements were approved by the board of directors on 25 November 2020 and were signed on its behalf by:

AT Borkowski
Director

Company registered number: 07059600

Company balance sheet
as at 31 December 2019

	Note	**2019** **£000**	**£000**	2018 £000	£000
Fixed assets					
Intangible assets	*9*		**426**		61
Tangible assets	*10*		**677**		851
Investments	*11*		**4,343**		6,906
			5,446		7,818
Current assets					
Stocks	*12*	**973**		656	
Debtors: amounts falling due within one year	*13*	**7,398**		10,156	
Cash at bank and in hand	*14*	**2,700**		8,859	
		11,071		19,671	
Creditors: amounts falling due within one year	*15*	**(9,440)**		(19,096)	
Net current assets			**1,631**		575
Total assets less current liabilities			**7,077**		8,393
Creditors: amounts falling due after more than one year	*16*		**(9,827)**		(16,727)
Provisions for liabilities					
Deferred tax liability	*18*		**(63)**		(44)
Net liabilities			**(2,813)**		(8,378)
Capital and reserves					
Called up share capital	*19*		**-**		-
Share premium account	*19*		**48**		48
Share based payment reserve			**463**		-
Profit and loss account			**(3,324)**		(8,426)
Shareholders' deficit			**(2,813)**		(8,378)

The Company has taken the exemption in Section 408 of the Companies Act 2006 to not separately disclose the parent company profit and loss account. The Company's profit for the year was £5,102,000 *(2018: loss of £9,374,000)*.

The financial statements were approved by the board of directors on 25 November 2020 and were signed on its behalf by:

AT Borkowski
Director

Company registered number: 07059600

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	-	48	-	405	(7,169)	(6,716)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(5,693)	(5,693)
Other comprehensive income						
Foreign exchange	-	-	-	117	-	117
Total comprehensive income for the year	-	-	-	117	(5,693)	(5,576)
At 31 December 2018	**-**	**48**	**-**	**522**	**(12,862)**	**(12,292)**
Profit for the year	-	-	-	-	7,409	7,409
Other comprehensive income						
Foreign exchange	-	-	-	200	-	200
Total comprehensive income for the year		-	-	200	7,409	7,609
Transactions with owners:						
Credit to equity for equity settled share-based payments	-	-	463	-	-	463
Transfer on disposal (note 25)	-	-	-	(526)	526	-
At 31 December 2019	**-**	**48**	**463**	**196**	**(4,927)**	**(4,220)**

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	-	48	-	948	996
Loss and total comprehensive income for the year	-	-	-	(9,374)	(9,374)
At 31 December 2018	**-**	**48**	**-**	**(8,426)**	**(8,378)**
Profit and total comprehensive income for the year	-	-	-	5,102	5,102
Transactions with owners: Share-based payments	-	-	463	-	463
At 31 December 2019	**-**	**48**	**463**	**(3,324)**	**(2,813)**

Consolidated cash flow statement
for the year ended 31 December 2019

	Note	**2019**	2018
		£000	£000
Cash flows from operating activities			
Profit /(loss) for the year		**7,409**	(5,693)
Adjustments for:			
Depreciation and amortisation	*9, 10*	**1,004**	3,263
Impairment	*9*	**-**	1,353
Profit on disposal of business	*25*	**(5,884)**	-
(Profit)/loss on disposal of tangible fixed assets		**(4)**	28
Interest payable and similar expenses	*7*	**959**	2,466
Share based payment charge		**463**	-
Taxation	*8*	**1,038**	310
		4,985	1,727
(Increase)/decrease in stocks		**(1,197)**	49
Increase in trade and other debtors		**(2,474)**	(3,357)
Increase in trade and other creditors		**2,394**	13,388
		3,708	11,807
Tax paid		**(981)**	(58)
Net cash from operating activities		**2,727**	11,749
Cash flows from investing activities			
Proceeds from sale of tangible and intangible fixed assets		**607**	-
Proceeds from disposal of a subsidiary (net of cash disposed)		**6,221**	-
Acquisition of subsidiaries (net of cash acquired)		**-**	(317)
Acquisition of tangible fixed assets		**(641)**	(849)
Acquisition of intangible fixed assets		**(412)**	(135)
Net cash from/(used in) investing activities		**5,775**	(1,301)
Cash flows from financing activities			
(Repayment)/issue of loans		**(6,900)**	983
(Repayment)/issue of short term loans		**(4,066)**	3,250
Interest paid		**(1,019)**	(2,408)
Net cash (used in)/ from financing activities		**(11,985)**	1,825
Net (decrease)/increase in cash and cash equivalents		**(3,483)**	12,273
Effect of exchange rate fluctuations on cash held		**203**	168
Cash and cash equivalents at the beginning of year	*14*	**13,333**	892
Cash and cash equivalents at the end of year	*14*	**10,053**	13,333

Notes *(forming part of these financial statements)*

5 Accounting policies

Bionical Limited (the "Company") is a private company limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 07059600 and the registered address is The Piazza, Mercia Marina, Findern Lane, Willington, Derbyshire, DE65 6DW.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (*"FRS 102"*) as issued in March 2018. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The Directors have chosen to separately disclose certain classes of transactions in the consolidated profit and loss account and other comprehensive income to provide additional information to the users of the accounts. The Directors consider the primary user of the accounts to be the main shareholder (see note 24), who also provides all funding to the Group through other companies under his control (note 23). The row titled "Adjusted items" in the consolidated profit and loss account and other comprehensive income includes amortisation and impairment of goodwill and intangible fixed assets, depreciation on tangible fixed assets, transactions with related parties (interest on loans with companies under common control and a management charge for related party services), non-underlying expenses (being redundancy and group restructuring costs) and transactions related to business combinations (being the recognition of interest on deferred consideration and adjustments to goodwill due to changes in the estimate of contingent consideration). A breakdown of these amounts are shown in note 4.

1.1. Going concern

The Group has cash at bank of £10.1 million, net current assets of £7.8 million and net liabilities of £4.6 million at 31 December 2019.

As set out in notes 2, 17 and 23, the Group is funded through loan notes due to a company under common control of the majority shareholder. These loan notes are only repayable on a sale or listing of the business, and hence are classified as due in more than one year, and the Directors do not expect these to be repayable in the 12 month period from the date of approval of these financial statements.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Business review section of the Strategic report on page 3. The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and such forecasts have indicated that sufficient funds should be available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Group has been impacted by the COVID-19 Pandemic to a limited extent, however the directors believe that support from the shareholders will not be necessary, as the Group has a strong balance sheet and has continued to trade profitably.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Measurement convention

The financial statements are prepared on the historical cost basis.

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account, within interest receivable and interest payable.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group 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 group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity 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 entity'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.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Short-term leasehold property 10 years
- Plant, machinery, fixtures & fittings 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8. Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software 3 years
- customer relationships 3 - 5 years
- order book 2 years
- trade names 1 - 5 years

The basis for choosing these useful lives is based on an assessment of the individual intangible assets acquired.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be five years.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.
Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.13. Turnover

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 receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue includes the supply of products for clinical trials. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the customer. Where a customer pays in advance, this is recognised on the balance sheet as deferred income until the goods are delivered.

Revenue also includes the provision of consultancy advice to pharmaceutical companies running clinical drugs trials. Revenue from the provision of this service is recognised when the amount of revenue and costs can be measured reliably, and it is probable that the Group will receive the consideration due under the contract. The stage of completion is calculated using an input (cost) basis.

1.14. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest payable

Interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15. Exceptional items

The Group presents as exceptional items on the face of the profit and loss account those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to facilitate comparison with prior years.

1.16. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Accounting estimates and judgements

In the application of the group'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.

Key sources of estimation uncertainty

Impairment

The directors are required to assess at each reporting date whether there is any indication that goodwill, intangible assets or tangible assets may be impaired. The directors have estimated the recoverable amount of the EMAS Pharma CGU, and an impairment charge of £nil *(2018: £1,353,000)* has been recognised in the current year in relation to goodwill. This charge is recognised in administrative expenses in the consolidated profit and loss account and other comprehensive income statement, and disclosed separately (see note 4). At 31 December 2019, the carrying value of the goodwill allocated to the EMAS Pharma CGU is £691,000.

In performing the impairment reviews, the directors assess the recoverable amount of the CGU as the higher of fair value less costs to sell, or with reference to value in use, assessed using discounted cash flow models. The assessment of the recoverable amounts are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants.

Notes *(continued)*

2 Accounting estimates and judgements *(continued)*

Share based payments

The directors are required to determine the fair value of equity-settled share based payments, and recognise this as an employee expense over the period in which the employees become unconditionally entitled to the awards. Therefore, the Directors are required to estimate the fair value of the share based payments using an option valuation model and need to estimate inputs such as volatility. Where necessary, the directors use an external specialist. In addition to this, the terms of the share based payments are such that the directors are required to estimate the number of options expected to vest, and the time period over which these options are expected to vest. The directors re-assess this estimate at each reporting period.

Critical accounting judgements in applying the Group's accounting policies

Other loans

The loan notes held by the Group and Company (repayable to related parties) bear interest and are repayable on the sale or listing of the Group, or they can be voluntarily repaid at any time following six months of issue. Given there are no fixed repayment terms, the directors have assessed the terms of the instruments and determined that given there is an unavoidable obligation to deliver cash in the form of interest, and the listing of the Group is in the control of the directors (to determine repayment of the principal), these loan notes meet the condition to be classified as financial liabilities rather than equity.

Impairment of debtors

Debtors are stated at recoverable amounts, after appropriate provision for bad and doubtful debts. Calculation of the bad debt provision requires judgment from the management team, based on the creditworthiness of the debtor, the ageing profile of the debtor, and the historical experience. The recoverable amount of trade debtors at the year-end is £4,174,000.

Stocks

Stocks are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecasts of consumer demand, the promotional, competitive and economic environment and stock loss trends.

3 Turnover

Major customers

Two customers *(2018: one)* represented in excess of 10% of the Group's total revenue during the year. Revenue includes £20,176,000 *(2018: £15,268,000)* from a single customer.

Geographic information

	2019	2018
	£000	£000
Analysis of turnover by country of destination:		
United Kingdom	**13,931**	14,253
United States of America	**29,016**	36,133
Europe	**17,201**	3,757
Rest of the World	**10,645**	4,545
	70,793	58,688

The total non-current assets located in the UK is £2,656,000 *(2018: £3,813,000)* and the total non-current assets located in United States of America is £30,000 *(2018: £1,642,000)*.

Notes *(continued)*

4 Expenses and auditor's remuneration

	2019	2018
	£000	£000
Exceptional items in operating profit/(loss) for the year		
Impairment of intangible assets (note 2)	**-**	1,353
Related party transactions (note 23)	**-**	332
Non-underlying expenses (including £nil *(2018: £273,000)* of related party transactions, note 23)	**-**	1,249
Exceptional loss on contract	**3,757**	-
Exceptional items	**3,757**	2,934

Adjusted items in the prior year included restructuring costs (including redundancies) and costs associated with implementing the de-merger (see note 25). Other items charged/(credited) to operating profit/(loss) in the year included:

	2019	2018
	£000	£000
Loss on disposal of tangible fixed assets	**-**	28
Exchange gains	**(60)**	-
Operating lease charges	**359**	308
Auditor's remuneration:		
Audit of these financial statements	**27**	34
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**18**	31
Taxation compliance services	**6**	15
Other tax advisory services	**3**	37
All other services	**5**	43

5 Staff numbers and costs

	2019	2018
Group	**£000**	£000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	**8,884**	13,816
Social security costs	**878**	1,256
Cost of defined contribution scheme (note 20)	**293**	500
Share based payments	**463**	-
	10,518	15,572

	2019	2018
Company	**£000**	£000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	**3,490**	11,067
Social security costs	**463**	959
Cost of defined contribution scheme	**98**	344
Share based payments	**420**	-
	4,471	12,370

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The average monthly number of employees, including the directors, during the year was as follows:

	2019 Group	2018 Group
Operations	**115**	293
Directors	**4**	3
	119	296

	2019 Company	2018 Company
Operations	**34**	227
Directors	**4**	3
	38	230

6 Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	**997**	213
Company contributions to defined contribution pension schemes	**36**	13
Compensation for loss of office	**-**	302
	1,033	528

During the year retirement benefits were accruing to two directors *(2018: one)* in respect of defined contribution pension schemes.

The aggregate of remuneration of the highest paid director was £563,000 *(2018: £491,000)* and company contributions of £29,000 *(2018: £13,000)* were made to a defined contribution pension scheme on his behalf.

7 Interest payable and similar expenses

	2019 £000	2018 £000
Other loan interest payable to related parties (note 23)	**1,019**	2,142
Interest payable on deferred consideration	**-**	171
	1,019	2,313
Foreign exchange (gains)/losses	**(60)**	153
	959	2,466

Notes *(continued)*

8 Taxation

Total tax charge recognised in the profit and loss account

	2019 £000	2018 £000
Corporation tax:		
UK Current tax on profit for the year	**956**	225
Foreign tax	**170**	-
Adjustment in respect of prior years	**(94)**	16
Total current tax	**1,032**	241
Deferred tax:		
Origination and reversal of timing differences	**81**	120
Adjustment in respect of prior years	**(75)**	(51)
Total deferred tax	**6**	69
Total tax	**1,038**	310

Reconciliation of effective tax rate

The tax charge assessed for the year is lower *(2018: higher)* than the standard rate of corporation tax in the UK of 19% *(2018: 19%).* The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) before taxation	**8,447**	(5,383)
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**1,605**	(1,023)
Non-deductible expenses	**581**	1,200
Foreign tax	**170**	-
Income not taxable for tax purposes	**(1,118)**	-
Effect of tax rates in foreign jurisdictions	**7**	168
Changes in tax rates	**(38)**	
Over provision in respect of prior years	**(169)**	(35)
Total tax charge	**1,038**	310

Notes *(continued)*

9 Intangible assets

Group	Customer relation-ships £000	Trade name £000	Order book £000	Software £000	Goodwill £000	Total £000
Cost:						
At 1 January 2019	3,977	418	769	553	10,116	15,833
Additions	-	-	-	412	-	412
Disposals (note 25)	(2,040)	(173)	-	(177)	(5,378)	(7,768)
At 31 December 2019	1,937	245	769	788	4,738	8,477
Amortisation:						
At 1 January 2019	2,944	365	769	217	7,256	11,551
Charge for the year	173	-	-	114	473	760
Disposals (note 25)	(1,883)	(120)	-	(52)	(3,682)	(5,737)
At 31 December 2019	1,234	245	769	279	4,047	6,574
Net book value:						
At 31 December 2019	**703**	**-**	**-**	**509**	**691**	**1,903**
At 31 December 2018	1,033	53	-	336	2,860	4,282

The amortisation and impairment charge has been recognised in administrative expenses in the current and prior year; and included within the adjusted amounts (see note 4).

Company	Software £000
Cost:	
At 1 January 2019	157
Additions	400
At 31 December 2019	557
Amortisation:	
At 1 January 2019	93
Charge for the year	38
At 31 December 2019	131
Net book value:	
At 31 December 2019	**426**
At 31 December 2018	61

Notes *(continued)*

10 Tangible fixed assets

Group	Short-term leasehold property £000	Plant, machinery, fixtures and fittings £000	Total £000
Cost or valuation:			
At 1 January 2019	831	1,305	2,136
Additions	310	331	641
Disposals	(478)	(750)	(1,228)
At 31 December 2019	663	886	1,549
Depreciation:			
At 1 January 2019	388	575	963
Charge for the year	73	171	244
Disposals	(106)	(335)	(441)
At 31 December 2019	355	411	766
Net book value:			
At 31 December 2019	**308**	**475**	**783**
At 31 December 2018	443	730	1,173

Company	Short-term leasehold property £000	Plant, machinery, fixtures and fittings £000	Total £000
Cost or valuation:			
At 1 January 2019	587	788	1,375
Additions	305	271	576
Disposals	(355)	(400)	(755)
At 31 December 2019	537	659	1,196
Depreciation:			
At 1 January 2019	273	251	524
Charge for the year	39	108	147
Disposals	(64)	(88)	(152)
At 31 December 2019	248	271	519
Net book value:			
At 31 December 2019	**289**	**388**	**677**
At 31 December 2018	314	537	851

Notes *(continued)*

11 Fixed asset investments

Company	**Shares in group undertakings £000**
Cost:	
At 1 January 2019	13,661
Disposals	(4,628)
Capital contribution – share-based payment	43
At 31 December 2019	9,076
Provisions:	
At 1 January 2019	6,755
Disposals	(2,022)
At 31 December 2019	4,733
Net book value:	
At 31 December 2019	**4,343**
At 31 December 2018	6,906

Disposals in the year are as a result of the de-merger which took place on 1 January 2019 (see note 25).

Notes *(continued)*

11 Fixed asset investments *(continued)*

Subsidiary undertakings

The following are subsidiary undertakings of the Company:

Name	Country of incorporation	Registered address	Class of shares	Holding 2019	Holding 2018	Principal activity
Bionical Insights Limited	UK	(a)	Ordinary	**100%**	100%	Dormant
Bionical Health Limited	UK	(a)	Ordinary	**100%**	100%	Dormant
Ellis Pharma Limited	UK	(a)	Ordinary	**100%**	100%	Dormant
Bionical Inc	United States	(b)	Ordinary	-	100%	Holding company
Bionical LLC *	United States	(b)	Ordinary	-	100%	Healthcare related services
Bionical Solutions Limited	UK	(a)	Ordinary	-	100%	Healthcare related services
The Insight Lab Limited *	UK	(a)	Ordinary	-	100%	Dormant
EMAS Pharma Limited	UK	(c)	Ordinary	**100%**	100%	Healthcare related services
Bionical EMAS Inc	United States	1013 Centre Road, Suite 403-B, New Castle, Delaware, USA	Ordinary	**100%**	100%	Healthcare related services
Bionical EMAS Limited *	Republic of Ireland	Lee View House, South Terrace, Cork, Ireland	Ordinary	**100%**	100%	Dormant
EMAS Pharma Pty Ltd *	Australia	PO Box 411, Joondalup, Australia	Ordinary	**100%**	100%	Healthcare related services
Bionical EMAS GmbH	Germany	Am Echauzufer 24 Reutlingen, Germany	Ordinary	**100%**	-	Dormant
EMAS Medical SAC *	Peru	Calle Las Begonias Lima, Peru	Ordinary	**100%**	100%	Dormant
EMAS Pharma Ltda *	Brazil	Praia de Botafogo, nº 440, Rio de Janeiro, Brazil	Ordinary	**100%**	100%	Dormant
EMAS Pharma SA *	Argentina	Calle La Pampa 1175 Belgrano, Argentina	Ordinary	**100%**	100%	Dormant
EMAS Pharma Inc *	USA	10 East 40th Street, New York, USA	Ordinary	**100%**	100%	Healthcare related services

* - indirect subsidiary

(a) The Piazza, Mercia Marina, Findern Lane, Willington, Derbyshire, DE65 6DW

(b) 390 Amwell Road Suite 507, Hillsborough Township, New Jersey, NJ 08844, United States of America

(c) 63-65 Knowl Piece, Wilbury Way, Hitchin, Hertfordshire, SG4 0TY

Notes *(continued)*

12 Stocks

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Finished goods	**1,853**	732	**973**	656

No write-down to net realisable value was recognised in cost of sales against stock during the current or prior year.

13 Debtors

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade debtors	**4,174**	6,557	**2,647**	1,898
Amounts owed by group undertakings	**-**	-	**83**	5,367
Other debtors	**4,221**	3,054	**4,219**	2,611
Corporation tax	**468**	-	**228**	-
Accrued income	**-**	431	**-**	73
Prepayments	**817**	961	**221**	207
	9,680	11,003	**7,398**	10,156

14 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Cash at bank and in hand	**10,053**	13,333	**2,700**	8,859

15 **Creditors:** amounts falling due within one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Loans (note 17)	**450**	4,516	**450**	4,516
Trade creditors	**1,223**	3,598	**124**	2,096
Amounts owed to group undertakings	**-**	-	**1,856**	868
Corporation tax	-	246	**-**	2
Taxation and social security	**2,153**	1,448	**2,069**	1,004
Other creditors	**4,069**	1,275	**-**	1,275
Deferred income	**4,797**	13,263	**4,794**	8,856
Accruals	**1,143**	1,243	**147**	479
	13,835	25,589	**9,440**	19,096

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Loans (note 17)	**9,452**	16,352	**9,452**	16,352
Other creditors	**5,028**	375	**375**	375
	14,480	16,727	**9,827**	16,727

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Creditors falling due more than one year				
Other loans	**9,452**	16,352	**9,452**	16,352
Creditors falling due within less than one year				
Other loans	**450**	4,516	**450**	4,516

Terms and debt repayment schedule

Group and Company	Currency	Nominal interest rate	Year of maturity	2019 £000	2018 £000
Short term loan (note 23)	GBP	18%	On demand	-	3,500
Other loan (note 23)	GBP	Higher of Bank of England Base Rate ('Base Rate') + 9.5% and 10%	On sale or listing	**9,452**	16,352
Short term loan (note 23)	GBP	Base Rate + 3.25%	On demand	**450**	450
Short term loan (note 23)	GBP	Base Rate + 9.75%	On demand	-	566
				9,902	20,868

The other loans are secured by a fixed and floating charge over the assets of the company. Short term loans and other loans were repaid during the year following the de-merger of the Bionical Solutions division, see note 25.

Notes *(continued)*

18 Deferred tax assets and liabilities

	Group £000	**Company £000**
At beginning of the year	(499)	(44)
Transferred on disposal	316	-
Charged to the profit and loss account (note 8)	6	(19)
At the end of the year	**(177)**	**(63)**

	Group		**Company**	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Accelerated capital allowances	**(58)**	(27)	**(63)**	(44)
Other	**-**	(284)	-	-
Arising on business combination	**(119)**	(191)	-	-
Losses carried forward	**-**	3	-	-
	(177)	(499)	**(63)**	(44)

The amount of deferred tax anticipated to reverse in the next year for the Group is £58,000 *(2018: £79,000)* and for the Company is £63,000 *(2018: £44,000).*

19 Capital and reserves

	Ordinary shares 2019	**‘A’ ordinary shares 2019**
On issue at 1 January	**100,658**	**658**
Issued for cash	**2,684**	**-**
On issue at 31 December – fully paid	**103,342**	**658**

	2019 £000	2018 £000
Allotted, called up and fully paid:		
103,342 *(2018: 100,658)* ordinary shares of £0.00101 each	**-**	-
658 *(2018: 658)* ‘A’ ordinary shares of £0.022 each	-	-

Both the ordinary shares and ‘A’ ordinary shares have voting rights of one vote per share, however the ‘A’ ordinary shares as a class equate to 5% of the total voting rights. Both the ordinary shares and ‘A’ ordinary shares are entitled to participate in distributions of income and on a winding up.

Notes *(continued)*

19 Capital and reserves *(continued)*

Share based payments reserve

The cumulative share-based payment expense less amounts realised on the exercise or lapse of options.

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign exchange reserve

Includes translation differences arising from the translation of the financial statements of the Group's foreign operations into Sterling.

20 Employee benefits

Defined contribution plan

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £293,000 *(2018: £500,000).* There was an amount outstanding at the year end of £19,800, included in other creditors.

Share based payments

A share-based payment charge of £463,000 (2018: £nil) was recognised during the year.

The Company has issued share options to senior management, which can only be exercised on the first of a sale, listing or takeover of the Group. The options expire in ten years.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2019	**Number of options 2019**	Weighted average exercise price 2018	Number of options 2018
Outstanding at the beginning of the year	**21.28**	**11,840**	21.28	11,840
Granted during the year	**5.46**	**27,999**	21.28	-
Cancelled during the year	**(21.28)**	**(11,840)**	-	-
Outstanding at the end of the year	**5.46**	**27,999**	21.28	11,840
Exercisable at the end of the year	-	-	21.28	-

The options outstanding at 31 December 2019 had an exercise price ranging from £5.06 to £10.69, and a remaining contractual life of between 9 and 10 years.

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations. Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Notes *(continued)*

20 Employee benefits *(continued)*

Inputs were as follows:

	2019 issue	**2018 issue**
Weighted average share price (£)	71.68	64.99
Weighted average exercise price (£)	5.40	5.06
Expected volatility (%)	52%	52%
Employee attrition (%)	75%	75%
Expected life (years)	3	4
Risk free rate (%)	0.4%	0.4%

21 Operating leases

Lessee

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Not later than one year	**359**	308	**241**	200
Later than one year and not later than five years	**1,039**	1,113	**873**	800
Later than five years	**471**	766	**471**	664
	1,869	2,187	**1,586**	1,664

Lessor

At 31 December 2019 the Group and the Company had future minimum lease payments receivable under non-cancellable operating leases as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Not later than one year	**84**	-	**84**	-
Later than one year and not later than five years	**336**	-	**336**	-
Later than five years	**336**	-	**336**	-
	756	-	**756**	-

The lease income arises from the sublease of a property to Bionical Solutions Limited, a related party.

Notes *(continued)*

22 Analysis of changes in net cash/(debt)

Group

	1 January 2019 £'000	Cashflow £'000	Exchange movements £'000	Other non-cash movements £'000	**31 December 2019 £'000**
Cash at bank and in hand	13,333	(3,483)	203	-	**10,053**
Borrowings < 1yr	(4,516)	4,066	-	-	**(450)**
Borrowings > 1yr	(16,352)	6,900	-	-	**(9,452)**
Total net (debt)/cash	**(7,535)**	**7,483**	**203**	**-**	**151**

23 Related party transactions

During the year, the Group made purchases of £437,000 *(2018: £605,000)* from companies under common control. At December 2019 the Group and Company had an amount of £190,000 (2018: £nil) owing to it from companies under common control.

At 31 December 2019 the Group and Company owed companies under common control £9,902,000 *(2018: £20,868,000)*. The terms of the loans are shown in note 17. Interest incurred on the loans during the year was £1,019,000 *(2018: £2,142,000)*.

At 31 December 2019 there was a loan of £nil *(2018: £105,000)* to G McIntosh, a director of the company until 12 July 2018.

Total compensation of key management personnel in the year amounted to £1,168,000 *(2018: £1,242,000).*

24 Ultimate controlling party

The ultimate controlling party is AD Leaver by virtue of his controlling interest in the share capital of the company. No other group financial statements include the results of the Company.

25 De-merger of Bionical Solutions

On 1 January 2019, the Group disposed of the Bionical Solutions division to a related party, Bionical Solutions Group Limited. The disposal gave rise to a profit of £1,760,000 in the Company and £5,884,000 in the Group. Following the disposal of the Bionical Solutions division, the Group consists only of the Bionical EMAS division. The Bionical Solutions division has been presented as a discontinued operation.

	£000
Cash consideration	10,000
Assets transferred across	(6,196)
Cash transferred across	(3,779)
Liabilities transferred across	5,859
Profit on disposal	5,884