

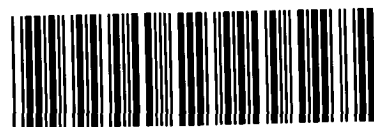
Bionical Limited

**Annual report and consolidated
financial statements**

Registered number 07059600

31 December 2021

FRIDAY



ABJG1SKP

A28

23/12/2022

#286

COMPANIES HOUSE

Contents

Company information	3
Directors' report	4
Strategic report	5
Finance report	8
Statement of directors' responsibilities in respect of the annual report and the financial statements	13
Independent auditors' report to the members of Bionical Limited	14
Consolidated profit and loss account and other comprehensive income	17
Consolidated balance sheet	18
Company balance sheet	19
Consolidated statement of changes in equity	20
Company statement of changes in equity	21
Consolidated cash flow statement	22
Notes <i>(forming part of these financial statements)</i>	23

Company information

Directors	AT Borkowski AD Leaver T Watson
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 East West Building 2 Tollhouse Hill Nottingham NG1 5FS

Directors' report

The directors present their annual report and the consolidated financial statements for the year ended 31 December 2021.

Principal activity

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

Proposed dividends

The directors do not recommend a payment of a final dividend (2020 *£nil*). An interim dividend of £2,549,228 (2020: £1,718,750) was paid during the year.

Directors

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

AT Borkowski
AD Leaver
D Leaver (resigned 1 March 2022)
J Waring-Hughes (resigned 1 August 2022)
T Watson (appointed 1 March 2022)

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. The Group provides Management indemnity insurance on behalf of its Directors and employees.

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.

Stakeholder engagement

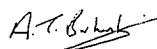
The Directors play an active role in the management and growth of the business with particular focus on the growing the key relationships with the Group's major customers and suppliers, to ensure the Group remains competitive. This is covered further in the s172 report on page 12.

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

In accordance with the Company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the Company will be put at a General Meeting. This report was approved by the board on 20 December 2022 and signed on its behalf by:



AT Borkowski
Director

Strategic report

Bionical Limited is a global Contract Research Organisation (CRO) business. We combine our clinical development, early access program and clinical trial supply capabilities to deliver a unique, seamless service for our international pharma and biotech clients.

Our mission is to pioneer the way life-changing medicines are developed and accessed for patients around the world.

Our strategy is to drive organic and acquisitive growth by developing and cross selling our widening portfolio of services and capabilities into our international client base and by expanding our geographical footprint. Our range of services enables us to maximise access and generate evidence at every point along the drug development pathway. This means we can simultaneously address the immediate and future needs of patients.

We operate as a fully integrated services business based around our three core business units, which are supported by a suite of product and service lines. This enables us to exploit cross selling and cross servicing opportunities within our international customer base. This approach will also put us in a strong position to take advantage of the numerous opportunities in growing markets and aligns with our commercial strategy of focusing on companies with a rich R&D pipeline.

Financial Performance

2021 was a year of investment and gearing up for the next stage of our international development. Group financial performance has been resilient, and we made solid progress, despite COVID-19 holding back clinical activities across our business.

Our 2021 investment program focussed on people, infrastructure, and technology. We opened two new offices and three new state-of-the-art logistics centres and secondary labelling facilities across the EU, US and UK. We also invested in the continued digitalisation of our business and new technology platforms.

The Group continued to deliver strong cash generation, £6.2m of cash was generated from operating activities.

Operational Performance

During 2021, the Group continued to develop and invest in our three core business units; Clinical Development, Early Access Programs (EAP) and Clinical Trial Supply (CTS). Despite the impact of COVID-19 on clinical programs, we made significant progress across the organisation and against our global expansion objectives.

As a Group, we supplied medicines and services to patients in over 75 different countries. During the year the Group grew to 180 employees across our global locations. We also made a number of appointments and promotions to support the business through the next phase of its growth. Our significant investment in people, infrastructure and technology enabled us to further expand the reach of our services, meaning we are now delivering these across all key markets; US, EU, UK and Asia-Pacific.

To that end, our three core business units delivered solid results and provide a strong platform for future growth and expansion:

Clinical Development

We run global Phase I to Phase IV clinical trials for our international pharma and biotech clients and have an oncology and rare disease therapeutic focus. Revenues increased year on year demonstrating resilience, to continue to win and deliver new business during the pandemic, as well as being able to adapt to a new way of running clinical trials.

Throughout the year, we have continued to support in the fight against COVID-19, including the running of clinical programs across US, EU and UK. We continue to invest in the clinical development business unit to align the people, infrastructure and technology with the long-term growth strategy and therapeutic focus.

Early Access Programs (EAP)

Our EAP services deliver potentially life-saving medicines to patients around the world. We are market leaders in the space. Patients who cannot enter clinical trials are provided with access to these potentially life-saving medicines through the EAP's that we run in partnership with many of the world's leading pharma and biotech companies. Our specialist EAP services are supported by a fully integrated suite of services, including; Pharmacovigilance, Regulatory, Medical Affairs, Data Services, Real World Evidence, Global Drug Storage & Logistics, Packaging and Labelling.

To that end, 2021 was a year of significant growth for our EAP services, this was the result of our continued success of winning new customers with rich R&D pipelines and expanding our partnerships with existing clients.

Our investment program also saw significant investment to support our rapid growth. We added a number of key hires across EU, US and UK and continued to invest in technology. The investment in storage, logistics and labelling centres, as well as our partnerships in Australasia, provide us with a great platform to increase speed and expand access to life-saving medicines for patients.

Clinical Trial Supply (CTS)

We provide unrivalled access to medicines and ancillaries for use in clinical trials as well as customised end-to-end supply solutions for our international Pharma and Biotech customer base. Our global network of manufacturer partnerships enables us to deliver sustainable and reliable access to medicines and ancillaries for clinical trial sponsors, healthcare professionals and patients globally.

Despite the pandemic having major implications, CTS was able to deliver a solid performance with revenues and gross margin remaining the same as 2020. This was achieved through successfully increasing our customer base with the addition of a number of pharma and biotech customers. This enabled us to fill the gap left by the reduction of clinical activities seen from our historical top five customers. However, the fourth quarter demonstrated a rebound from the pandemic with activities across existing and new customers increasing significantly.

We continued to invest in and expand the teams across the EU, US and UK. The additional logistics centres will provide a platform to enhance the global service offering and the launch of our new packaging and labelling services will act as a new opportunity to expand our existing and new partnerships.

Integrated Services

Our suite of integrated in-house services support the core business units' delivery across all stages of the product development and patient journey. Our focus during 2021 has been to continue to drive an integrated mindset across our in-house services in order to deliver a truly differentiated service across to our customers and the patients we ultimately serve.

To that end, during 2021 we have run initiatives and investment programs across our integrated service platform, focusing on enhancing our people, geographical coverage and technology offerings. These include our significant investment into our global storage & logistics centres, with new state-of-the-art facilities being built in the EU (Ireland), US and UK. These facilities are further enhanced by the addition of our new packaging and labelling services

Technology

Throughout 2021, we continued to implement innovative technologies to support our service offerings. The pandemic also created a need to accelerate the adoption of new technologies to continue to deliver our services in a more virtual way. We implemented Veeva as our primary electronic data capture (EDC) within our Data Services function to support the growing needs of our international customer base. Our Pharmacovigilance function also implemented Veeva as its primary safety database to support the increasing demand for our clinical, EAP and post-marketing Pharmacovigilance services.

We continued to invest in our EAP Portal, expanding its capability within the request management and real world data capture functions. The Group also initiated a global initiative to implement a global e-QMS which will go live in 2022 and support with integrating the Quality Assurance functions across the multiple regulatory and geographical landscapes we work across.

Outlook

Our business is highly scalable with notable operational gearing.

The Group continues to develop strong long-term relationships with multiple large pharma and biotech clients and has added several key customers to its portfolio across all service sectors. The investment in people, infrastructure and technology ensures that the Group is well placed to develop and grow internationally.

Finance report

Group revenue in the year to 31 December 2021 increased by 2% to £81.7m despite the business being impacted by COVID-19. Gross profit also increased by 1% to £18.6m. Adjusted EBITDA decreased due to our extensive investment in new people, technology, and infrastructure. We had a robust underlying cash generation even after the extensive CAPEX programme.

International revenues increased year on year to £77.0m (2020: £76.6m), with an increase in sales to US based customers to £45.1m (2020: £40.1m). This was driven by a number of new client and project wins across the three business units, including the addition of a number of new top 25 pharma clients.

Key Performance Indicators (KPIs)

The table below summarises the KPIs that the Board uses to measure the financial performance of the Group.

£000s	2021	2020
Revenue	81,727	80,370
Gross Margin	18,630	18,509
Gross Margin %	23%	23%
Adjusted EBITDA	6,477	8,551
Cash and cash equivalents	7,033	6,984

Profitability

The Group incurred several non-cash items during the year that have been adjusted for in the calculation of EBITDA.

Adjusted EBITDA, see tables below, was £6.5m down from £8.6m, reflecting the additional investment in people, technology and infrastructure.

The prior year exceptional items relate to a contract loss.

£000s	2021	2020
Operating Profit	4,463	6,148
Adjusted for:		
Depreciation and amortisation	1,482	1,087
Share based payment charge	532	420
EBITDA	6,477	7,655
Exceptional Items	-	896
Adjusted EBITDA	6,477	8,551

Cashflow

The Group increased cash generated from operating activities to £6.2m, through improved working capital management. Cash generated from operating activities represents 94% of Adjusted EBITDA, representing strong cash conversion from customers, with continued low levels of overdue debts.

This has enabled the Group to facilitate significant capital expenditure in both new facilities in the UK, Ireland, and US along with significant investment in technology to ensure we continue to offer the most up to date systems available to our customers.

The Group has also been able to make a dividend payment to shareholders of £2.5m (2020: £1.7m).

Balance Sheet

The Group reports an improvement in the net liability position from £2.1m to £1.6m. The Group is in a net liability position due to most of the shareholder funding coming from long term debt instruments rather than equity. The debt incurs an interest rate coupon of 10% pa. Excluding this debt funding results in the Group having net assets of £8.3m.

Sustainability and Governance

Our sustainability and governance strategy remains a key objective for the Group with good progress made including:

- Formal commitment to the Science Based Target initiative (SBTi) to set carbon reduction targets, with an interim internal target to reduce absolute Scope 1 & 2 emissions by 50% between 2019 and 2030, in line with the SBTi 1.5° C aligned pathway for targets;
- First full disclosure to Carbon Disclosure Project (CDP) submitted in 2021; and
- Corporate governance risk report produced for the Board each month.

Environmental Impact

The Group is committed to minimising the effect on the environment and seeks to make energy savings wherever possible. This is achieved in one way by all offices having energy efficient equipment installed.

To determine the emissions of carbon dioxide in tonnes, the Group uses the GHG Protocol Corporate Accounting and Reporting Standard and reports on emissions arising from sources over which the Group has operational control. The disclosures below encompass:

Scope 2: includes emissions from purchased electricity for the Group's own use; and

Scope 3: emissions from business travel in employee owned or company rented vehicles.

The Group does not have any Scope 1 emissions, such as gas, diesel or other emissions that arise from activities directly under its control.

The Group uses several ratios with which to measure its performance in reducing emissions. The intensity ratio of tCO₂e / revenue is widely used by other likeminded businesses. The Group also uses an intensity ratio of tCO₂e / number of employees to reflect the impact on energy consumption by the workforce and reflect any impact the increase in workforce is having on the Group's consumption.

Energy and Carbon Reporting

	2021	2020
Energy Consumption to calculate emissions (kWh)	303,884	252,372
	tCO ₂ e	tCO ₂ e
Emissions from business travel in employee-owned vehicles where the company is responsible for the purchase of the fuel (Scope 3)	25	9
Emissions from purchased electricity (Scope 2)	65	59
Total Gross tCO ₂ e based on the above	90	69
Intensity ratio: tCO ₂ e / employee	0.50	0.49
Intensity ratio: tCO ₂ e / revenues (in Millions)	1.10	0.85

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. The Group recognises the need for its Diversity, Equity, and Inclusion agenda to start at the recruitment stage and last throughout the full employee lifecycle. Bionical Emas assures training for all employees and leaders on how to avoid biases and assure equality of opportunities.

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.

Principal Risks and Uncertainties

The Board of Directors identifies that effective risk management is essential to the successful implementation of the Group's strategy. 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. The Group has strong relationships with key suppliers and good management of credit control to ensure a strong working capital position.

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 Group has continued to grow its relationships with several long-standing major pharmaceutical customers, through expansion of services already provided along with additional new workstreams. This places the Group as a key strategic partner to these customers.

Information security

The Group relies on information technology systems to conduct its operations. Because of this, the Group and its software are at risk from cyber-attacks. Cyber-attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) malicious third parties gaining unauthorised access to the Group's software for the purpose of misappropriating financial assets, intellectual property, or sensitive information (such as patient data), corrupting data, or causing operational disruption.

The Group has robust internal policies and procedures to ensure the protection of personal data and ensure compliance with and data privacy laws. All employees have access to IT security policies and guidance and undergo regular training, with systems regularly tested to ensure they are robust. The Group also employs industry best-practise external solutions to provide the best available security walls to protect data being unlawfully accessed.

Inflation

The success of the Group is reliant on the recruitment and retention of highly qualified and highly motivated employees. The Group like all its competitors is seeking to attract these people in a highly competitive market, which has seen high wage inflation in the past year. The Group is achieving this through attractive remuneration packages along with a positive work environment at its offices around the world.

The nature of many contracts entered into by the Group means that this wage inflation in some cases may not be able to be passed onto the customer immediately but at the next annual review. Furthermore, the Group is not locked into long term fixed price arrangements, enabling it to amend prices on a contract-by-contract basis where needed.

S 172 Statement

Decisions of the Board consider 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 importance to the success of the Group, and the directors believe that the culture and core values create an environment for engaged and successful employees.

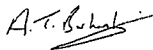
The success of the Group depends on strategic relationships with key partners, customers, and suppliers, so the Board maintains ongoing oversight of these. Monthly management packs report to the Board on the status of key relationships, which have Board-level engagement from an operational perspective. 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.

It is the Board's belief that the Group can only fulfil its strategic goals by maintaining the very highest standards of business conduct. The Group's risk management processes are reviewed by the Board on a regular basis. The Group has, through the recruitment of professional employees, maintained and demonstrated a high standard of business conduct, be that in dealings with employee, customers, suppliers, regulatory authorities, or any other stakeholders to the business.

The Group supports local charities across the various offices to support local community efforts. Its efforts on minimising the carbon impact from its activities is commented upon on the energy and carbon reporting above.

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 20 December 2022 and signed on its behalf by:



AT Borkowski
Director

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

The directors are responsible for preparing the Strategic Report and 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. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 2021 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 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 have 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 13, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to licensing regulations and GDPR. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these laws and regulations and inspected correspondence with licensing authorities.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and substantive testing in relation to revenue recognition and revenue cut-off procedures.

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.

Neil Stephenson

Neil Stephenson (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

20/12/22

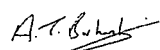
Consolidated profit and loss account and other comprehensive income
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	3	81,727	80,370
Cost of sales		(63,097)	(61,861)
Gross profit		18,630	18,509
Administrative expenses		(14,426)	(12,416)
Other operating income		259	55
Adjusted EBITDA		6,477	8,551
Depreciation	<i>10</i>	(410)	(283)
Amortisation	<i>9</i>	(1,072)	(804)
Share-based payments	<i>20</i>	(532)	(420)
Exceptional items	<i>4</i>	-	(896)
Operating profit	4	4,463	6,148
Interest receivable		64	-
Interest payable and similar expenses	<i>7</i>	(1,328)	(1,214)
Profit before taxation		3,199	4,934
Tax on profit	<i>8</i>	(687)	(1,649)
Profit for the year		2,512	3,285
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of foreign operations		56	82
Other comprehensive income for the year		56	82
Total comprehensive income for the year		2,568	3,367

Consolidated balance sheet
as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets			
Goodwill		-	218
Other intangible assets		1,076	1,283
		<hr/>	<hr/>
Tangible assets	9 10	1,076 2,121	1,501 993
		<hr/>	<hr/>
		3,197	2,494
Current assets			
Stocks	12	434	1,443
Debtors: amounts falling due within one year	13	12,178	10,151
Cash at bank and in hand	14	7,033	6,984
		<hr/>	<hr/>
		19,645	18,578
Creditors: amounts falling due within one year	15	(14,832)	(13,482)
		<hr/>	<hr/>
Net current assets		4,813	5,096
		<hr/>	<hr/>
Total assets less current liabilities		8,010	7,590
Creditors: amounts falling due after more than one year	16	(9,612)	(9,654)
Provisions for liabilities			
Deferred tax liability	18	-	(89)
		<hr/>	<hr/>
Net liabilities		(1,602)	(2,153)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	19	-	-
Share premium account	19	48	48
Share based payment reserve	19	1,415	883
Foreign exchange reserve	19	334	278
Profit and loss account		(3,399)	(3,362)
		<hr/>	<hr/>
Shareholders' deficit		(1,602)	(2,153)
		<hr/>	<hr/>

The financial statements were approved by the board of directors on 20/12/22
by:



AT Borkowski
Director

Company registered number: 07059600

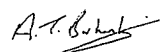
and were signed on its behalf

Company balance sheet
as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	9	698	536
Tangible assets	10	544	635
Investments	11	4,426	4,399
		<u>5,668</u>	<u>5,570</u>
Current assets			
Stocks	12	434	899
Debtors: amounts falling due within one year	13	11,333	11,829
Cash at bank and in hand	14	6,046	1,707
		<u>17,813</u>	<u>14,435</u>
Creditors: amounts falling due within one year	15	<u>(10,245)</u>	<u>(7,209)</u>
Net current assets		<u>7,568</u>	<u>7,226</u>
Total assets less current liabilities		<u>13,236</u>	<u>12,796</u>
Creditors: amounts falling due after more than one year	16	<u>(9,452)</u>	<u>(9,452)</u>
Net assets		<u><u>3,784</u></u>	<u><u>3,344</u></u>
Capital and reserves			
Called up share capital	19	-	-
Share premium account	19	48	48
Share based payment reserve	19	1,415	883
Profit and loss account	19	2,321	2,413
Shareholders' funds		<u><u>3,784</u></u>	<u><u>3,344</u></u>

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 £2,457,000 (2020: £7,457,000).

The financial statements were approved by the board of directors on 20/12/22 and were signed on its behalf by:



AT Borkowski
Director

Company registered number: 07059600

Consolidated statement of changes in equity
for the year ended 31 December 2021

	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 2020	-	48	463	196	(4,927)	(4,220)
Profit for the year	-	-	-	-	3,285	3,285
Other comprehensive income	-	-	-	82	-	82
Total comprehensive income for the year	-	-	-	82	3,285	3,367
Share-based payments	-	-	420	-	-	420
Dividends paid	-	-	-	-	(1,720)	(1,720)
Total transactions with owners	-	-	420	-	(1,720)	(1,300)
At 31 December 2020	-	48	883	278	(3,362)	(2,153)
Profit for the year	-	-	-	-	2,512	2,512
Other comprehensive income	-	-	-	56	-	56
Total comprehensive income for the year	-	-	-	56	2,512	2,568
Transactions with owners:						
Share-based payments	-	-	532	-	-	532
Dividends paid	-	-	-	-	(2,549)	(2,549)
Total transactions with owners	-	-	532	-	(2,549)	(2,017)
At 31 December 2021	-	48	1,415	334	(3,399)	(1,602)

Company statement of changes in equity
for the year ended 31 December 2021

	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 2020	-	48	463	(3,324)	(2,813)
Profit and total comprehensive income for the year	-	-	-	7,457	7,457
Transactions with owners:					
Dividend paid	-	-	-	(1,720)	(1,720)
Share-based payments	-	-	420	-	420
At 31 December 2020	-	48	883	2,413	3,344
Profit and total comprehensive income for the year	-	-	-	2,457	2,457
Share-based payments	-	-	532	-	532
Dividend paid	-	-	-	(2,549)	(2,549)
Total transactions with owners	-	-	532	(2,549)	(2,017)
At 31 December 2021	-	48	1,415	2,321	3,784

Consolidated cash flow statement
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Cash flows from operating activities			
Profit before tax		3,199	4,934
Adjustments for:			
Depreciation and amortisation	9, 10	1,482	1,087
Loss on disposal of intangible fixed assets		-	15
Interest payable and similar expenses		1,328	1,214
Share based payment charge	20	532	420
		<hr/> 6,541	<hr/> 7,670
Decrease in stocks		1,009	410
(Increase) in trade and other debtors		(1,355)	(513)
Increase/ (decrease) in trade and other creditors		1,360	(5,387)
		<hr/> 7,555	<hr/> 2,180
Tax paid		(1,448)	(1,711)
Net cash inflow from operating activities		<hr/> 6,107	<hr/> 469
Cash flows from investing activities			
Acquisition of tangible fixed assets		(1,538)	(232)
Acquisition of intangible fixed assets		(647)	(417)
Net cash outflow from investing activities		<hr/> (2,185)	<hr/> (649)
Cash flows from financing activities			
Repayment of leases		(46)	(37)
Loans received in the year	25	2,500	-
Loans repaid in the year	25	(2,500)	-
Dividend paid		(2,549)	(1,720)
Interest paid		(1,328)	(1,214)
Net cash outflow from financing activities		<hr/> (3,923)	<hr/> (2,971)
Net decrease in cash and cash equivalents		(1)	(3,151)
Effect of exchange rate fluctuations on cash held		50	82
Cash and cash equivalents at the beginning of year	14	6,984	10,053
Cash and cash equivalents at the end of year	14	<hr/> <hr/> 7,033	<hr/> <hr/> 6,984

Notes *(forming part of these financial statements)*

1 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 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”)*. The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The 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 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 Company Cash Flow Statement with related notes is included;
- Key management 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 adjusted EBITDA 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 26), who also provides all funding to the Group through other companies under his control (note 25).

Going concern

The Group has cash at bank of £7.0 million, net current assets of £4.8 million and net liabilities of £1.6 million at 31 December 2021.

As set out in notes 2, 17 and 25, the Group is funded through £9.5 million of 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 has received a letter of support from the provider of these loan notes, which states that they remain supportive of the Group’s growth strategy and that further financial support can be provided to ensure that the Group is able to meet its financial commitments for at least 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 5. 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 Group and Company to continue in operational existence for the foreseeable future by meeting its liabilities and contingent liabilities as they fall due for payment.

Notes (continued)

1 Accounting policies (continued)

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2021. 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.

1.3. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency (Sterling) 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. 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.

1.4. 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)

1.5. 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.

1.6. 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
- Motor vehicles 3 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.

1.7. 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)

1.8. 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 when there is an indication that goodwill or an intangible asset may be impaired.

1.9. 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)

1.10. 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.

1.11. 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.

Notes (continued)

1 Accounting policies (continued)

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.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge with the corresponding credit being recognised directly in equity.

1.12. 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.

1.13. 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.

Finance lease

An asset and corresponding liability are recognised for leasing agreements that transfer to the Company substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest payable

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

Notes (continued)

1 Accounting policies (continued)

1.14. 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.

1.15. 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 it is 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. There was no indication of impairment noted at the year end.

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.

Notes (continued)

2 Accounting estimates and judgements (continued)

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 £8,416,000.

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

2 customers (2020: Two) represented in excess of 10% of the Group's total revenue during the year. Revenue includes £18,836,000 (2020: £26,695,000) from a single customer.

Geographic information

	2021 £000	2020 £000
<i>Analysis of turnover by country of destination:</i>		
United Kingdom	4,688	3,685
United States of America	45,123	40,051
Europe	30,254	30,502
Rest of the World	1,662	6,132
	<hr/> 81,727 <hr/>	<hr/> 80,370 <hr/>

The total non-current assets located in the UK is £2,153,000 (2020: £2,412,000) and the total non-current assets located in United States of America is £414,000 (2020: £82,000) and Europe is £630,000 (2020: £nil).

Notes (continued)

4 Operating profit

	2021 £000	2020 £000
Items charged/(credited) to group operating profit in the year included:		
<i>Exceptional items</i>		
Loss on contract	-	896
Operating lease charges	454	434
Rental income	(183)	(177)
R&D expenditure credits	(9)	(10)
Loss on disposal of intangible asset	-	15
<i>Auditor's remuneration:</i>		
Audit of these financial statements	61	52
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	24	18
Taxation compliance services	6	6
Other tax advisory services	4	4
All other services	14	14
	<hr/>	<hr/>

5 Staff numbers and costs

	2021 £000	2020 £000
Group		
<i>Staff costs, including directors' remuneration, were as follows:</i>		
Wages and salaries	11,956	10,095
Social security costs	1,130	979
Cost of defined contribution scheme (note 20)	456	377
Share based payments (note 20)	532	420
	<hr/>	<hr/>
	14,074	11,871
	<hr/>	<hr/>
Company		
<i>Staff costs, including directors' remuneration, were as follows:</i>		
Wages and salaries	5,571	4,159
Social security costs	581	507
Cost of defined contribution scheme	192	158
Share based payments	505	364
	<hr/>	<hr/>
	6,849	5,188
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs (continued)

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

	2021 Group	2020 Group
Operations	176	134
Directors	4	4
	<hr/> 180	<hr/> 138
	<hr/> <hr/>	<hr/> <hr/>

	2021 Company	2020 Company
Operations	75	58
Directors	4	4
	<hr/> 79	<hr/> 62
	<hr/> <hr/>	<hr/> <hr/>

6 Directors' remuneration

	2020 £000	2020 £000
Group		
Directors' emoluments	921	734
Company contributions to defined contribution pension schemes	46	46
	<hr/> 967	<hr/> 780
	<hr/> <hr/>	<hr/> <hr/>

During the year retirement benefits were accruing to two directors (2020: two) in respect of defined contribution pension schemes.

The aggregate of remuneration of the highest paid director was £463,000 (2020: £407,000) and contributions of £38,000 (2020: £38,000) were made to a defined contribution pension scheme on his behalf.

7 Interest payable and similar expenses

	2021 £000	2020 £000
Group		
Other loan interest payable to related parties (note 25)	1,192	968
Interest on finance leases and hire purchase contracts	13	8
	<hr/> 1,205	<hr/> 976
Exchange losses	123	238
	<hr/> 1,328	<hr/> 1,214
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Taxation

Total tax charge recognised in the Group profit and loss account

	2021 £000	2020 £000
<i>Corporation tax:</i>		
Current tax on profit for the year	825	1,391
Adjustment in respect of prior years	10	346
	<hr/>	<hr/>
Total current tax	835	1,737
	<hr/>	<hr/>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(153)	(111)
Adjustment in respect of prior years	20	2
Effect of changes in tax rates	(15)	21
	<hr/>	<hr/>
Total deferred tax	(148)	(88)
	<hr/>	<hr/>
Total tax	687	1,649
	<hr/>	<hr/>

Reconciliation of effective tax rate

The tax charge assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before taxation	3,199	4,934
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2020: 19%)	608	937
Non-deductible expenses	248	296
Utilisation tax losses not recognised for deferred tax	(179)	-
Deferred tax losses not recognised	56	-
Under provision in respect of prior years	30	348
Other	(76)	68
	<hr/>	<hr/>
Total tax charge	687	1,649
	<hr/>	<hr/>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Substantive enactment occurred on 24 May 2021 therefore its effects have been included in these financial statements. The deferred tax balances within these financial statements have been calculated at 19% or 25% depending on when the related timing difference will reverse (2020: 19%).

Notes (continued)

9 Intangible assets

Group	Customer relation- ships £000	Trade name £000	Order book £000	Software £000	Goodwill £000	Total £000
<i>Cost:</i>						
At 1 January 2021	1,937	245	769	1,093	4,738	8,782
Additions	-	-	-	647	-	647
Disposals	-	-	-	-	-	-
At 31 December 2021	1,937	245	769	1,740	4,738	9,429
<i>Amortisation:</i>						
At 1 January 2021	1,408	245	769	339	4,520	7,281
Charge for the year	529	-	-	325	218	1,072
Disposals	-	-	-	-	-	-
At 31 December 2021	1,937	245	769	664	4,738	8,353
<i>Net book value:</i>						
At 31 December 2021	-	-	-	1,076	-	1,076
At 31 December 2020	529	-	-	754	218	1,501

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
<i>Cost:</i>	
At 1 January 2021	776
Additions	322
At 31 December 2021	1,098
<i>Amortisation:</i>	
At 1 January 2021	240
Charge for the year	160
At 31 December 2021	400
<i>Net book value:</i>	
At 31 December 2021	698
At 31 December 2020	536

Notes (continued)

10 Tangible fixed assets

Group	Motor vehicles £000	Short-term leasehold property £000	Plant, machinery, fixtures and fittings £000	Total £000
<i>Cost or valuation:</i>				
At 1 January 2021	263	558	765	1,586
Additions	-	1,098	440	1,538
Disposals	-	-	-	-
At 31 December 2021	263	1,656	1,205	3,124
<i>Depreciation:</i>				
At 1 January 2021	37	213	343	593
Charge for the year	88	111	211	410
Disposals	-	-	-	-
At 31 December 2021	125	324	554	1,003
<i>Net book value:</i>				
At 31 December 2021	138	1,332	651	2,121
At 31 December 2020	226	345	422	993

Company	Short-term leasehold property £000	Plant, machinery, fixtures and fittings £000	Total £000
<i>Cost or valuation:</i>			
At 1 January 2021	629	706	1,335
Additions	5	102	107
Disposals	-	-	-
At 31 December 2021	634	808	1,442
<i>Depreciation:</i>			
At 1 January 2021	293	407	700
Charge for the year	51	147	198
Disposals	-	-	-
At 31 December 2021	344	554	898
<i>Net book value:</i>			
At 31 December 2021	290	254	544
At 31 December 2020	336	299	635

Net book value of assets held under finance leases and hire purchase contracts is £138,000 (2020: £226,000).

Notes (continued)

11 Fixed asset investments

Company	Shares in group undertakings £000
<i>Cost:</i>	
At 1 January 2021	9,132
Capital contribution – share-based payment	27
	<hr/>
At 31 December 2021	9,159
	<hr/>
<i>Provisions:</i>	
At 1 January 2021 and 31 December 2021	4,733
	<hr/>
<i>Net book value:</i>	
At 31 December 2021	4,426
	<hr/> <hr/>
At 31 December 2020	4,399
	<hr/> <hr/>

Subsidiary undertakings

The following are subsidiary undertakings of the Company:

Name	Country of incorporation	Registered address	Class of shares	Holding		Principal activity
				2021	2020	
EMAS Pharma Limited	UK	The Piazza, Mercia Marina, Willington, Derbyshire, UK	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%	Healthcare related services
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 Pharma Ltda *	Brazil	Praia de Botafogo, n° 440, Rio de Janeiro, Brazil	Ordinary	100%	100%	Dormant
EMAS Pharma SA *	Argentina	Calle La Pampa 1175 Belgrano, Argentina	Ordinary	100%	100%	Dormant

* - indirect subsidiary

Notes (continued)

12 Stocks

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Finished goods	434	1,443	434	899

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	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade debtors	8,605	6,117	4,794	3,127
Amounts owed by group undertakings	-	-	4,771	4,697
Other debtors	964	3,044	574	3,030
Corporation tax	1,039	426	588	549
Accrued income	814	40	-	40
Prepayments	697	524	346	319
Deferred tax asset (note 18)	59	-	260	67
	<u>12,178</u>	<u>10,151</u>	<u>11,333</u>	<u>11,829</u>

14 Cash and cash equivalents

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash at bank and in hand	7,033	6,984	6,046	1,707

15 Creditors: amounts falling due within one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Loans (note 17)	450	450	450	450
Obligations under finance leases (note 22)	41	32	-	-
Trade creditors	9,746	2,630	6,484	708
Amounts owed to group undertakings	-	-	-	4,181
Other taxation and social security	1,432	1,792	1,265	1,630
Other creditors	109	7,787	90	-
Deferred income	1,654	262	1,128	-
Accruals	1,400	529	828	240
	<u>14,832</u>	<u>13,482</u>	<u>10,245</u>	<u>7,209</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Loans (note 17)	9,452	9,452	9,452	9,452
Obligations under finance leases (note 22)	160	202	-	-
	<u>9,612</u>	<u>9,654</u>	<u>9,452</u>	<u>9,452</u>

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	
	2021 £000	2020 £000	2021 £000	2020 £000
Creditors falling due more than one year				
Other loans	9,452	9,452	9,452	9,452
	<u>9,452</u>	<u>9,452</u>	<u>9,452</u>	<u>9,452</u>
Creditors falling due within less than one year				
Other loans	450	450	450	450
	<u>450</u>	<u>450</u>	<u>450</u>	<u>450</u>

Terms and debt repayment schedule

Group and Company	Currency	Nominal interest rate	Year of maturity	2021 £000	2020 £000
Other loan (note 23)	GBP	Higher of Bank of England Base Rate ('Base Rate') + 9.5% and 10%	On sale or listing	9,452	9,452
Short term loan (note 23)	GBP	Base Rate + 3.25%	On demand	450	450
				<u>9,902</u>	<u>9,902</u>

The other loans are secured by a fixed and floating charge over the assets of the Company.

Notes (continued)

18 Deferred tax assets and liabilities

	Group		Company	
	£000		£000	
At beginning of the year	(89)		67	
Charged to the profit and loss account (note 8)	148		193	
	<hr/>		<hr/>	
At the end of the year	59		260	
	<hr/>		<hr/>	

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Capital allowances	(295)	151	(73)	(69)
Short-term timing differences	354	(240)	333	136
	<hr/>	<hr/>	<hr/>	<hr/>
	59	(89)	260	67
	<hr/>	<hr/>	<hr/>	<hr/>

The amount of deferred tax anticipated to reverse in the next year for the Group is £nil (2020: £15,000) and for the Company is £nil (2020: £nil).

In addition to the above is £132,000 of unrecognised US tax losses

19 Capital and reserves

	Ordinary shares	'A' ordinary shares
	2021	2020
	£000	£000
<i>Allotted, called up and fully paid:</i>		
103,342 ordinary shares of £0.00101 each	-	-
658 'A' ordinary shares of £0.022 each	-	-
	<hr/>	<hr/>

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.

A dividend of £24.51 (2020: £16.52) per ordinary and 'A' ordinary share was paid during the year.

The reserves are as follows:

- *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.

Notes (continued)

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 £456,000 (2020: £377,000). There was an amount outstanding at the year end of £36,000 (2020: £29,800), included in other creditors.

Share based payments

A share-based payment charge of £532,000 (2020: £420,000) 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 2021	Number of options 2021	Weighted average exercise price 2020	Number of options 2020
Outstanding at the beginning of the year	6.86	28,905	5.46	27,999
Granted during the year	-	-	45.97	1,001
Lapsed during the year	7.73	(429)	5.46	(95)
	<u>6.89</u>	<u>28,476</u>	<u>6.86</u>	<u>28,905</u>
Outstanding at the end of the year				
Exercisable at the end of the year	-	-	-	-

The options outstanding at 31 December 2021 had a remaining contractual life of between 7 and 9 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.

	2020 issue	2019 issue
Weighted average share price (£)	379.31	71.68
Weighted average exercise price (£)	45.97	5.46
Expected volatility (%)	52%	52%
Employee attrition (%)	25%	25%
Expected life (years)	3	3
Risk free rate (%)	0.40%	0.40%

Notes (continued)

21 Operating leases

Lessee

At 31 December 2021 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Not later than one year	393	434	287	310
Later than one year and not later than five years	1,337	1,193	1,003	1,064
Later than five years	823	612	543	612
	<u>2,553</u>	<u>2,239</u>	<u>1,833</u>	<u>1,986</u>

Lessor

At 31 December 2021 the Group and the Company had future minimum lease payments receivable under non-cancellable operating leases as follows:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Not later than one year	84	84	84	84
Later than one year and not later than five years	336	336	336	336
Later than five years	168	252	168	252
	<u>588</u>	<u>672</u>	<u>588</u>	<u>672</u>

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

Notes (continued)

22 Finance lease and hire purchase contracts

Obligations under finance leases and hire purchase contracts are secured by the related assets and bear finance charges at 6.9% per annum.

The total future minimum lease payments are payable:

	Group	
	2021	2020
	£000	£000
Within one year	50	51
Between two and five years	162	213
	<hr/>	<hr/>
	212	264
Future finance charges	(11)	(30)
	<hr/>	<hr/>
	201	234
	<hr/>	<hr/>

The Company does not hold any finance leases.

Finance lease payments represent rentals payable by the Group for vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

23 Analysis of changes in net debt

Group	1 January 2021	Cashflow	Exchange	Other non-cash	31 December
	£'000	£'000	movements	movements	2021
			£'000	£'000	£'000
Cash at bank and in hand	6,984	113	(64)	-	7,033
Loans	(9,902)	-	-	-	(9,902)
Finance leases	(234)	46	-	(13)	(201)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net debt	(3,152)	159	(64)	(13)	(3,070)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Other non-cash movements relates to interest accruing on finance leases.

24 Contingent liability

There is an ongoing investigation into the supply of a clinical trial product to the US market by a regulatory authority. This may or may not result in a prosecution that results in a monetary penalty. The company's discussions with the regulatory authority are in their early stages. Given these uncertainties there is the possibility that this could result in a liability, of an unknown quantum.

25 Related party transactions

During the year, the Group received rental income of £183,000 (2020: £177,000) and made purchases of £1,488,000 (2020: £763,000) from companies under common control. At December 2021, the Group and Company had an amount of £55,000 (2020: £24,000) owing to it from companies under common control and the Group owed £626,300 (2020: £3,600) to companies under common control.

At 31 December 2021, the Group and Company owed companies under common control £9,902,000 (2020: £9,902,000) in relation to loans as shown in note 17. Interest incurred on the loans during the year was £1,063,000 (2020: £968,000) including interest on a short-term loan of £2,500,000 provided during the year.

Total compensation of key management personnel in the year amounted to £2,492,000 (2020: £1,752,000).

26 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.