

Bioquell UK Limited
(Registered Number 02520270)

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016



**BIOQUELL UK LTD
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 2016**

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BIOQUELL UK LTD STRATEGIC REPORT

The directors submit their annual report, together with the audited financial statements, for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the company is the design, manufacture and service of bio-decontamination and filtration equipment.

BUSINESS REVIEW

The profit and loss account is set out on page 9. The Company is in a profit making position and has seen consistent demand for its products especially through the Company's subsidiaries based overseas and the Company sees these as major areas of growth moving forwards.

The Company continues to take on all research and development within the Bioquell Group. Expenditure on product development is written off as incurred and in 2016 this amounted to £1,286,705 (2015: £1,352,775). In 2016 the Company continued the development of various units in its range of hydrogen peroxide vapour generators.

The Company increased its cash levels during the year and maintains a strong balance sheet.

KEY PERFORMANCE INDICATORS

The Company uses revenue, development costs, profit before tax and earnings before interest, tax, depreciation and amortisation ("EBITDA") as these give the best indication of volume of business and underlying profitability.

	2016	2015
	£	£
Revenue	18,676,358	19,507,928
Development costs	1,286,705	1,352,775
Profit before tax	2,148,345	593,779
EBITDA	2,883,196	2,001,381

PRINCIPAL RISKS AND UNCERTAINTIES

Cash flow risk

As sales from overseas customers continue to increase as a proportion of the company's turnover, the level of risk associated with foreign exchange also grows. The Group uses forward foreign exchange contracts to hedge these exposures.

**BIOQUELL UK LTD
STRATEGIC REPORT**

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit risk

Trade receivables form the main credit risk to the company. The debtor balance for trade receivables reported in the balance sheet is shown net of allowances for doubtful debts. Allowances for doubtful debts are made as a risk of non-payment is recognised. The company has no concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The company operates a bank overdraft within the parent company's Group banking arrangement. This facility enables the company to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments.

The Bioquell plc financial statements include further details on business risks and key performance indicators.

On behalf of the Board



Michael Roller

Director

14 June 2017

**BIOQUELL UK LTD
DIRECTORS' REPORT**

Certain requirements of Schedule 7 to the Accounting Regulations are contained within the Strategic Report on pages 3–4. This includes the requirements to disclose information regarding principal activities, future developments and research and development.

DIVIDEND

The directors do not recommend payment of a dividend (2015: £nil), and the profit of £2,170,498 (2015: £631,920) for the year has been transferred to reserves.

GOING CONCERN

The current economic conditions create uncertainty over the level of demand for the company's products and services. The company is supported by its parent and as such has no present requirement for external finance. As a consequence of this, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

BRANCHES OUTSIDE OF THE UK

The Company has a branch in Germany which sells Bio-decontamination products and services into the Life Science market in Germany, Austria and Switzerland.

DIRECTORS

The directors are listed below:

Mr N M T Adams (resigned 24 August 2016)
Mr M Parks
Mr M R D Roller
Mr I R Johnson (appointed 24 August 2016)

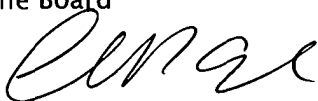
AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Georgina Pope
Secretary
14 June 2017

BIOQUELL UK LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

BIOQUELL UK LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOQUELL UK LIMITED

We have audited the financial statements of Bioquell UK Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income incorporating the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Accounting Policies and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BIOQUELL UK LTD
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion on other matter 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

Jane Makrakis

Jane Makrakis, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditors
Reading, United Kingdom
14 June 2017

BIOQUELL UK LTD
STATEMENT OF COMPREHENSIVE INCOME INCORPORATING PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	1	18,676,358	19,507,928
Cost of sales		(11,030,857)	(12,828,821)
Gross profit		7,645,501	6,679,107
Net operating expenses	2	(6,024,078)	(6,007,558)
Operating profit		1,621,423	671,549
Investment income	4	609,607	-
Interest payable and similar charges (net)	5	(82,685)	(77,770)
Profit on ordinary activities before tax		2,148,345	593,779
Tax credit on profit on ordinary activities	6	22,153	38,141
Profit on ordinary activities after tax	16	2,170,498	631,920
Exchange differences		399,583	85,403
Total comprehensive income in the year		2,570,081	717,323

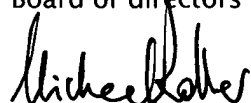
The turnover and operating profit in both the current and preceding year relate wholly to continuing activities.

Movements in reserves are set out in Note 17.

BIOQUELL UK LTD
BALANCE SHEET
AT 31 DECEMBER 2016

	Notes	2016	2015
		£	£
FIXED ASSETS			
Intangible assets	7	101,858	115,437
Tangible assets	8	3,213,075	3,933,691
Investments	9	1,676,843	1,676,843
		4,991,776	5,725,971
CURRENT ASSETS			
Stocks	10	1,817,676	2,729,853
Debtors			
– due within one year	11	4,699,186	3,834,139
– due in more than one year	11	1,488,994	1,488,994
Cash		4,874,990	1,467,623
		12,880,846	9,520,609
CREDITORS			
Amounts falling due within one year	12	(4,296,758)	(4,491,767)
NET CURRENT ASSETS		8,584,088	5,028,842
TOTAL ASSETS LESS CURRENT LIABILITIES		13,575,864	10,754,813
CREDITORS			
Amounts falling due after more than one year	13	(5,693,819)	(5,579,283)
Provisions for liabilities and charges	14	(216,017)	(83,948)
NET ASSETS		7,666,028	5,091,582
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Equity reserve	16	984,543	980,178
Profit and loss account	16	6,681,843	4,111,402
SHAREHOLDER'S FUNDS	17	7,666,028	5,091,582

The Financial Statements of BIOQUELL UK Limited, registered number 02520270, were approved by the Board of directors and signed on its behalf by



Michael Roller
14 June 2017

BIOQUELL UK LTD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	£
Total comprehensive income in the year	2,570,081	717,323
Credit to equity for share based payments	4,365	67,357
Waiver of debt from dormant subsidiaries	-	17,096
Net increase in equity shareholder funds	2,574,446	801,776
Equity shareholder funds at beginning of year	5,091,582	4,289,806
Equity shareholder funds at end of year	7,666,028	5,091,582

BIOQUELL UK LTD

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The company has taken advantage of the exemption from the requirement to produce consolidated financial statements in accordance with s400 Companies Act 2006, since the company is a wholly owned subsidiary undertaking of a UK company which itself prepares consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a Group.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to presentation of cash flow statement, related party transactions and remuneration of key management personnel. The Company is consolidated in the financial statements of its parent, Bioquell PLC, which may be obtained at www.bioquellplc.com. Bioquell UK Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 52 Royce Close, West Portway Andover, Hampshire, SP10 3TS.

GOING CONCERN

The directors' report on page 5 describes the financial position of the company. The company is supported by group its parent and as such has no present need of external borrowings. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

RESEARCH AND DEVELOPMENT

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

INTANGIBLE ASSETS – PRODUCT LICENCES

Product licences are included at cost and depreciated in equal annual instalments over a period of 12 years which is their estimated useful economic life. Provision is made for any impairment.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	10 to 25 years
Plant and machinery	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

BIOQUELL UK LTD
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

STOCKS

Stocks and work in progress are valued at the lower of cost, including factory overheads, and estimated net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on material timing differences at the rate of tax anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Recognised deferred tax assets and liabilities have not been discounted.

TURNOVER

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. In relation to the sale of goods, turnover is recognised on shipment of the goods or, in some cases, on customer acceptance. In relation to the provision of services, turnover is recognised as the service is performed.

PENSION COSTS

The company contributes to a group defined contribution pension scheme covering the majority of employees. The assets of the scheme are held separately from those of the group in independently administered funds. The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

FOREIGN CURRENCY

Amounts receivable and payable in foreign currencies are generally translated into sterling at the rates of exchange ruling at the end of the period, or at the date of settlement. In cases where amounts receivable are covered by the forward sale of foreign currency, the rate at which the forward sale has been negotiated is used. Resulting exchange gains and losses are dealt with in the profit and loss account.

LEASES

Operating leases and their costs are charged to the profit and loss account as incurred, even if payments are not made on such a basis.

BIOQUELL UK LTD
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

SHARE-BASED PAYMENTS

The company has applied the requirements of FRS102 Chapter 26 Share Based Payments. Bioquell plc, the ultimate parent company, is able to issue equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. For example:

Share based payments: management applies certain assumptions in assessing the charge to the income statement for share options in the parent company issued to staff members. The key assumptions include expected lapse rates, volatility and the average life of an option.

Revenue recognition: judgement is required to identify when it is appropriate to recognise revenue on contracts and the point at which the significant risks and rewards of ownership of goods transfer.

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

1. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit, the majority of which arises in the United Kingdom, is attributable to the company's principal activity being the sale of bio-decontamination and filtration equipment and services. The analysis of turnover by geographical destination is set out below:

	2016	2015
	£	£
United Kingdom	6,453,793	5,501,236
Rest of Europe	4,940,078	5,059,942
Rest of World	7,282,487	8,946,750
	18,676,358	19,507,928

2. COSTS

	2016	2015
	£	£
Operating profit has been stated after charging		
R&D expenditure	1,286,705	1,352,775
Depreciation of tangible fixed assets: Owned	1,248,194	1,318,247
Amortisation of intangible fixed assets	13,579	11,585
Auditor's remuneration: Audit	54,000	54,000
Loss on disposal of fixed assets	27,917	32,364
Operating lease rentals	198,270	253,530
Cost of inventories recognised as an expense	7,174,516	9,561,088
Cost of inventories written off in the year	203,684	99,191
Foreign exchange loss/(gain)	239,692	(80,402)

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. STAFF COSTS

The average monthly number of employees (including directors) was:

	2016	2015
	Number	Number
Production shop-floor	29	32
Engineering directs	58	71
	87	103
Sales & marketing	32	31
Administration	9	9
Other	12	12
	53	52
	140	155

Their aggregate remuneration comprised:

	2016	2015
	£	£
Wages and salaries	5,077,609	5,060,266
Social security costs	478,225	491,352
Pension costs to a defined contribution scheme	253,975	503,259
	5,809,809	6,054,877

There were £40,521 of outstanding pensions contributions included within creditors at the end of the financial year (2015: £53,545).

Included above are the following amounts in respect of directors:

Aggregate emoluments	106,740
Pension costs to a defined contribution scheme	5,771
	112,511

The highest paid director received aggregate emoluments of £106,740 (2015: £103,357) and pension contributions of £5,771 (2015: £6,725). Retirement benefits are accruing to one (2015: one) director under a defined contribution scheme. During the year none of the directors (2015: none) exercised share options.

The information concerning directors above excludes Mr N M T Adams, Mr I R Johnson and Mr M R D Roller. Mr Adams was a director until 24 August, Mr Johnson was appointed as director on 24 August 2016. Mr Johnson and Mr Roller are executives of the holding company, Bioquell PLC. Mr Adams, Mr Johnson and Mr Roller received total emoluments of £542,000 (2015: £723,000) from Bioquell PLC during the year, but it is not practicable to allocate this between their services as executives of Bioquell PLC and the Group's subsidiaries.

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

4. INVESTMENT INCOME

	2016 £	2015 £
Dividend received from subsidiary	609,607	–

5 INTEREST PAYABLE (NET)

	2016 £	2015 £
Finance charges on balances with parent undertaking	(82,685)	(77,770)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax credit on ordinary activities

	2016 £	2015 £
Current tax		
UK corporation tax	–	–
Adjustment in respect of prior periods	(10,000)	(10,000)
Total current tax	(10,000)	(10,000)
Deferred tax		
Origination and reversal of timing differences	102,653	131,971
Adjustment in respect of previous periods	(70,500)	(83,830)
Total deferred tax	32,153	48,141
Total tax credit	22,153	38,141

Factors affecting tax credit for period

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before taxation	2,148,345	593,779
Tax at 20% (2015: 20.25%) thereon	(429,669)	(120,240)
Effects of:		
Expenses not deductible for tax purposes	(28,809)	(30,088)
Dividend received from subsidiary	121,921	–
Share options	63,820	21,659
R&D tax relief	203,600	267,300
Adjustment in respect of prior year	(80,500)	(93,830)
Tax rate changes	(6,000)	(6,660)
Losses utilised	177,790	–
Total tax	22,153	38,141

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

7 INTANGIBLE FIXED ASSETS

	Product licences £
Cost	
As at 1 January 2016	153,064
Additions	–
As at 31 December 2016	153,064
Accumulated amortisation	
As at 1 January 2016	37,627
Charge for the year	13,579
As at 31 December 2016	51,206
Net book value	
As at 31 December 2016	101,858
As at 31 December 2015	115,437

8 TANGIBLE FIXED ASSETS

	Leasehold land and buildings £	Plant and machinery £	Total £
Cost			
As at 1 January 2016	4,616,391	9,638,796	14,255,187
Additions	–	557,079	557,079
Disposals	–	(146,067)	(146,067)
As at 31 December 2016	4,616,391	10,049,808	14,666,199
Accumulated depreciation			
As at 1 January 2016	2,438,844	7,882,652	10,321,496
Charge for the year	391,876	856,318	1,248,194
Disposals	–	(116,566)	(116,566)
As at 31 December 2016	2,830,720	8,622,404	11,453,124
Net book value			
As at 31 December 2016	1,785,671	1,427,404	3,213,075
As at 31 December 2015	2,177,547	1,756,144	3,933,691

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

9 INVESTMENTS

	Total £
Cost and net book value as at 31 December 2015 & 31 December 2016	1,676,843

The investments relate to the following wholly owned subsidiaries:

Bioquell SAS Holding, 153, Quai du Rancy, 94380 Bonneuil sur Marne, Paris, France

Bioquell Global Logistics (Ireland) Ltd, Unit E4, Eastway Business Park, Ballysimon Road, Limerick, Eire

Bioquell Asia Pacific Pte Ltd, 207 Henderson Road #01-05, Henderson Ind Park, 159550, Singapore

10 STOCK

	2016 £	2015 £
Raw materials, spare parts and consumables	996,183	1,642,871
Work in progress	309,812	343,843
Finished goods and goods for resale	511,681	743,139
	1,817,676	2,729,853

There is no material difference between the balance sheet value of stock and its replacement cost.

11 DEBTORS

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	2,181,515	2,059,209
Amounts due from group undertakings	1,786,988	1,060,192
Other debtors	8,078	8,340
Deferred tax – note 14	335,763	303,610
VAT receivable	49,018	147,326
Prepayments and accrued income	337,824	255,462
	4,699,186	3,834,139
Amounts falling due after more than one year:		
Amounts due from group undertakings	1,488,994	1,488,994
	6,188,180	5,323,133

The amount due from the parent undertaking is interest free and has no fixed repayment term. The nominal value of amounts due from group undertakings equals the fair value of the amounts due.

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

12 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade creditors	953,419	1,566,912
Bank overdraft	674,812	–
Amounts due to group undertakings	799,136	1,466,559
Corporation tax	479,352	475,810
Other taxation and social security	203,555	352,438
Accruals and deferred income	1,186,484	630,048
	4,296,758	4,491,767

The Bioquell Group had committed overdraft facilities available at 31 December 2016 of £1,500,000 (2015: £1,500,000), the facilities were undrawn at the end of the year. The Group cleared its outstanding loan during 2015. The Company's overdraft balance disclosed above is offset by credit balances elsewhere in the Group such that there is no net drawing on the Group's overdraft facility. The amount owed to the parent undertaking has no fixed repayment term, interest is charged on the non-trading balance at a rate of 2.5% (2015: 2.5%) over Bank of England base rate. The nominal value of amounts due to group undertakings equals the fair value of the amounts due.

13 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Amounts owed to the parent undertaking	5,693,819	5,579,283

The amount owed to the parent undertaking has no fixed repayment term, although the parent has advised the directors that it will not demand repayment before twelve months from the date of approval of these financial statements. The nominal value of the intercompany balance equals the fair value of the balance. The parent company charges interest on the amount outstanding at the rate of 0.5% (2015: 0.5%) over Bank of England base rate.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Product warranties
	£
As at 1 January 2016	83,948
Charge for the year	156,991
Utilised during the year	(24,922)
As at 31 December 2016	216,017

Warranties

The provision for warranties relates to expected warranty claims on products sold in the last two years. It is expected that the majority of this expenditure will be incurred in the next financial year.

BIOQUELL UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

14. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred tax

The company has an overall deferred tax asset of £335,763 at 31 December 2016 (2015: deferred tax asset of £303,610), which has been recognised in the financial statements – see note 11.

Movement in deferred tax during the year:

	£
At 1 January 2016	303,610
Credit to profit and loss account	32,153
At 31 December 2016	335,763

It is made up as follows:

	2016 £	2015 £
Fixed asset timing differences	(27,677)	(66,953)
Short term timing differences	87,440	38,063
Trading losses carried forward	276,000	332,500
Total	335,763	303,610

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was substantively enacted on 15 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset as at 31 December 2016 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

15 CALLED UP SHARE CAPITAL

	2016 Number	£	2015 Number	£
Authorised				
Ordinary shares of £1 each	100	100	100	100
Called up, allotted and fully paid				
Ordinary shares of £1 each	2	2	2	2

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16 PROFIT AND LOSS ACCOUNT

	Equity reserve	Profit & loss reserve
	£	£
As at 1 January 2016	980,178	4,111,402
Profit for the financial year	–	2,170,498
Share based payment charge	4,365	–
Exchange gain	–	399,583
As at 31 December 2016	984,543	6,681,843

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	£
Shareholder's funds at 1 January 2015	4,289,806
Equity reserve – share based payments	67,357
Profit for the financial year	631,920
Waiver of debt from dormant subsidiaries	17,096
Exchange gain	85,403
Shareholder's funds at 1 January 2016	5,091,582
Equity reserve – share based payments	4,365
Profit for the financial year	2,170,498
Exchange gain	399,583
Shareholder's funds at 31 December 2016	7,666,028

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18 EQUITY-SETTLED SHARE OPTION SCHEMES

Bioquell PLC (the ultimate parent undertaking) has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest except in certain circumstances in accordance with the Scheme Rules.

Special options, with market-based conditions, have also been granted to certain directors and senior members of staff.

Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	1,495,550	128.1	1,669,150	132.9
Granted during the year	245,000	132.5	246,000	120.5
Lapsed during the year	(747,659)	122.4	(449,733)	145.1
Exercised during the year	(564,916)	122.7	(91,417)	110.1
Additional options granted upon revaluation of schemes*	32,368	91.2	-	-
Transferred from parent company	-	-	121,550	126.5
Outstanding at the end of the year	460,343	110.7	1,495,550	128.1
Exercisable at the end of the year	15,678	115.9	788,550	125.2

564,916 share options were exercised during the year (2015: 91,417). The options outstanding at 31 December 2016 had a weighted average exercise price of 110.7p, and a weighted average remaining contractual life of 7.7 years. In 2016, 245,000 options were granted on 4 October. The aggregate of the estimated fair values of the options granted on that date was £73,920. In 2015, 246,000 options were granted on 26 March. The aggregate of the estimated fair values of the options granted on that date was £79,212.

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18. EQUITY-SETTLED SHARE OPTION SCHEMES (CONTINUED)

The Black-Scholes model has been adopted as the directors believe it provides a reasonable approximation to the fair values of the options concerned.

The inputs into the Black-Scholes model are as follows:

	2016	2015
Weighted average share price	132.5p	120.5p
Expected volatility	27.5%	30%
Expected life	4.5yrs	4.5 yrs
Risk free rate	2.11%	1.11%
Expected dividends	1.5%	1.5%

Each tranche of share options was valued separately using the actual exercise price.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company recognised total expenses of £4,365 and £67,357 related to equity-settled share-based payment transactions in 2016 and 2015 respectively.

19. FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Expiry date:		
Within one year	138,270	145,997
Between two and five years	225,537	176,033
	363,807	322,030

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20. RELATED PARTY TRANSACTIONS

FRS 102 Paragraph 33.1A provides exemption for disclosure of transactions between two or more members of a group, provided that all subsidiaries which are party to the transaction are wholly-owned by the group. The company has taken advantage of this exemption.

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company, for whom financial statements are prepared, is Bioquell PLC. This is both the smallest and the largest group into which the company's results are consolidated. Bioquell PLC is incorporated in Great Britain and is also regarded as the ultimate controlling party. A copy of the financial statements of Bioquell PLC may be obtained from the company's registered office at 52 Royce Close, West Portway, Andover, Hampshire SP10 3TS.