

ACCENTUS MEDICAL LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 DECEMBER 2019

ACCENTUS MEDICAL LIMITED
REGISTERED NUMBER: 04146523

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	4	3,694	3,417
Tangible assets	5	113	109
		<hr/>	<hr/>
		3,807	3,526
Current assets			
Stocks	6	93	71
Debtors: amounts falling due within one year	7	371	302
Cash at bank and in hand	8	43	40
		<hr/>	<hr/>
		507	413
Creditors: amounts falling due within one year	9	(862)	(761)
		<hr/>	<hr/>
Net current liabilities		(355)	(348)
		<hr/>	<hr/>
Total assets less current liabilities		3,452	3,178
Creditors: amounts falling due after more than one year	10	(1,704)	(1,280)
		<hr/>	<hr/>
Net assets		<u>1,748</u>	<u>1,898</u>
Capital and reserves			
Called up share capital		3,374	3,374
Revaluation reserve	12	8	8
Other reserves	12	688	688
Profit and loss account	12	(2,322)	(2,172)
		<hr/>	<hr/>
		<u>1,748</u>	<u>1,898</u>

ACCENTUS MEDICAL LIMITED
REGISTERED NUMBER: 04146523

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
P J Agg
Director

Date: 22 July 2020

The notes on pages 3 to 13 form part of these financial statements.

ACCENTUS MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The Company is a private company limited by share capital, incorporated in England and Wales.

The registered office address and principal place of business is 528.10 Unit 2 Rutherford Avenue, Harwell Campus, Didcot, Oxfordshire, OX11 0DF.

The principal activity of the Company is to develop and exploit intellectual property.

These financial statements have been approved for issue by the Board of Directors. No persons have the power to amend the financial statements beyond the date they were approved by the Board.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are rounded to the nearest thousand pound Sterling.

The following principal accounting policies have been applied:

2.2 Going concern

In the year to 31 December 2019 the Company made a loss of £150,000 (9 month period to 31 December 2018: £266,000), had net current liabilities at 31 December 2019 of £355,000 (2018: £348,000), net assets at 31 December 2019 of £1,748,000 (2018: £1,898,000) and cash and cash equivalents at 31 December 2019 of £43,000 (2018: £40,000).

The Directors have considered the ability of the Company to continue as a going concern and this is considered to be the most significant estimate made by the Directors in preparing the financial statements. The Directors have prepared cash flow forecasts for Accentus Medical Limited for a period covering more than 12 months from the date of their approval of these financial statements. The Directors have reviewed the assumptions made in respect of the timing and realisation of the anticipated licence and milestone payments, commercial income and costs covering both the UK and the US operations in these forecasts. The Directors have made assumptions that they consider to be appropriate in respect of COVID-19. The Directors acknowledge that the impacts of COVID-19 remain uncertain in the long-term but have introduced measures to mitigate these risks and ensure the continued development and performance of the Company. The UK Government has introduced a range of financial programmes during the periods impacted by COVID-19. The Company has furloughed some of its employees in March, April and May 2020 and has received a bounce back loan of £50,000 as part of these initiatives and the Directors are holding weekly board meetings to ensure these measures taken are appropriate for the business in securing its long-term future.

Based on these forecasts, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis in preparing these financial statements.

The Directors of AM Surface Technologies Limited have confirmed that that Company will continue to provide financial support to Accentus Medical Limited as it requires for its continued operations, for the foreseeable future, not less than 12 months from the date of signing the financial statements of Accentus Medical Limited.

The Company has rent arrears payable to its landlord in respect of the period April 2015 to March 2018. The landlord has confirmed its support to the Company to defer payment of the rent arrears for 12 months and will continue to support the Company with its business plan and accommodation strategy with a view to recovering the rent arrears after deferment of 12 months

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue is shown net of value added tax and trade discounts and the value of long-term contract work completed. Revenue includes income received from the supply of value adding surface technologies and licensing agreements.

Income from the supply of value adding surface technologies is recognised on completion of the manufacturing service and when collection of the resulting debt is reasonably assured.

Income from licences where the underlying intellectual property is secure and on which Accentus Medical will not incur future costs is recognised on signing of the contract with the licensee. Where Accentus Medical will incur future maintenance and support costs and each component of the contract does not operate independently, the full contract value is recognised rateably over the period of the contract. Where the components do operate independently, and fair values can be allocated to the individual components, each component is treated as if it were a separate contract. Any invoices raised or cash received in advance of recognition of the income is included within deferred income in payables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.5 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance leases

The Company leases certain equipment. The Company has substantially all the risks and rewards of ownership and these are classified as finance leases, which are capitalised at the leases' commencement dates at the lower of fair value and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge. The corresponding rental obligations, net of finance charges, are included in creditors. The interest element of the finance charge is charged to the Income Statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.11 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. The Directors have assessed the useful economic life of intangible assets to be 15 years based on the patent portfolio of the developments.

Intangible assets consist of research and development expenditure capitalised in accordance with FRS 102.

The Directors have considered the recoverability of the internally generated intangible asset which has a carrying value of £3,694,000. The projects continue to progress in a satisfactory manner and the Directors are confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

The key factors which could impact upon whether it remains appropriate to continue to capitalise intangible assets or on the impairment considerations include:

- The availability of the necessary finance and hence the ability of the Company to continue as a going concern;
- The assumptions surrounding the perceived market sizes for the products and the achievable market share for the Company;
- The successful conclusion of licensing arrangements will serve as an indicator as the likely success of the projects and, as such, any need for potential impairment.
- The level of upfront, milestone and royalty receipts will also serve as a guide as to the net present value of the assets and whether any impairment is required.

The Directors have considered the progress of the business in the current period, including a review of the potential market for its products, the progress the Company has made in developing its technologies and other key commercial factors to determine whether any indicators of impairment exist. Based upon the review management have carried out they are satisfied that no such factors exist and therefore no impairment is due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 10-33%
Fixtures and fittings	- 10%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment. A provision for impairment is established where there is evidence that not all amounts due will be collectable.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. There is no material difference between the invoiced value and the value calculated on an amortised cost basis or fair value.

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

ACCENTUS MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Employees

The average monthly number of employees, including directors, during the year was 30 (2018 - 30).

4. Intangible assets

	Development expenditure £000
Cost	
At 1 January 2019	3,417
Additions	366
	<hr/>
At 31 December 2019	3,783
	<hr/>
Amortisation	
Charge for the year on owned assets	89
	<hr/>
At 31 December 2019	89
	<hr/>
Net book value	
At 31 December 2019	<hr/> 3,694 <hr/>
At 31 December 2018	<hr/> 3,417 <hr/>

ACCENTUS MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2019	771	7	778
Additions	27	-	27
At 31 December 2019	<u>798</u>	<u>7</u>	<u>805</u>
Depreciation			
At 1 January 2019	663	6	669
Charge for the year	23	-	23
At 31 December 2019	<u>686</u>	<u>6</u>	<u>692</u>
Net book value			
At 31 December 2019	<u>112</u>	<u>1</u>	<u>113</u>
At 31 December 2018	<u>108</u>	<u>1</u>	<u>109</u>

6. Stocks

	2019 £000	2018 £000
Work in progress	20	20
Finished goods and goods for resale	73	51
	<u>93</u>	<u>71</u>

7. Debtors

	2019 £000	2018 £000
Trade debtors	191	136
Other debtors	2	22
Prepayments and accrued income	65	62
Tax recoverable	113	82
	<u>371</u>	<u>302</u>

ACCENTUS MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	<u>43</u>	<u>40</u>

9. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Other loans	163	180
Trade creditors	468	326
Other taxation and social security	58	32
Obligations under finance lease	-	25
Other creditors	62	4
Accruals and deferred income	111	194
	<u>862</u>	<u>761</u>

Creditors includes the current portion of a rent accrual in respect of the rent free period of the Company's factory lease. This will be released over the projected remaining lifetime of the lease up to a lease break in March 2021 in line with a schedule agreed with the landlord.

After the year-end, the Company agreed an asset finance facility of £22,000 for an asset that was payable within trade creditors at 31 December 2019.

See note 13 for further details on securities of other loans.

10. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Amounts owed to group undertakings	1,230	874
Trade creditors	197	197
Deferred income	45	52
Accruals	232	157
	<u>1,704</u>	<u>1,280</u>

Trade creditors include the non-current portion of the rent accrual (see note 11). Accruals include deferred consideration payable to certain employees.

Deferred income represents grant income received as a contribution to development costs. Deferred income will be recognised in line with amortisation of those development costs.

See note 13 for further details on securities of amounts owed to group undertakings.

ACCENTUS MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Loans

Analysis of the maturity of loans is given below:

	2019 £000	2018 £000
Amounts falling due within one year		
Other loans	163	180
Amounts falling due 1-2 years		
Amounts owed to group undertakings	1,230	874
	<u>1,393</u>	<u>1,054</u>

Other loans relate to an invoice discounting facility from Bibby secured against the Company's trade debtors ledger. Interest is charged at 3% above LIBOR.

Included in amounts owed to group undertakings at 31 December 2019 is £468,000 in respect of convertible loan notes issued by the parent company AM Surface Technologies Limited, the proceeds of which have been loaned to Accentus Medical Limited. These loans of £468,000 are secured on a fixed and floating charge of the group. Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

12. Reserves

Revaluation reserve

The revaluation reserve represents tangible fixed assets revalued upon acquisition from a prior period grant project.

Other reserves

The other reserve derives from a capital gift received from AEA Technology on divestment in the period ended 31 March 2006.

Profit and loss account

The profit and loss account includes all current and prior period profits and losses.

13. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £20,000 (2018: £16,000). Contributions totalling £4,000 (2018: £7,000) were payable to the fund at the balance sheet date and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Related party transactions

The Company has taken advantage of the exemption available under Section 33.1A of FRS 102 not to disclose information on transactions entered into with 100% group companies.

During the year ended 31 December 2019, the Company was invoiced £Nil (2018: £12,000 invoiced and £8,000 accrued) from a company controlled by a Director for consultancy services. At the year-end, £Nil (2018: £14,000) was payable.

During the year ended 31 December 2019, the Company received loans from a company controlled by a common Director totalling £50,000 (2018: £Nil) which were received through its parent entity. Amounts repayable at 31 December 2019 are included in amounts owed to group undertakings (2018: £Nil) as these loans were provided through AM Surface Technologies Limited.

During the year ended 31 December 2019, a Director of the Company provided loans totalling £7,000 (2018: £Nil) on which he received no interest (2018: £Nil). £1,000 of this loan was repaid by 31 December 2019 (2018: £50,000 repaid).

Directors are reimbursed for eligible expenses incurred in the normal course of business.

15. Post balance sheet events

Between the year-end and the date of the approval of these financial statements, the Company has received £180,000 of loans from its parent company AM Surface Technologies Limited and £3,500 from a Director. The loan from the Director of £3,500 has been repaid in full and of the loans received of £180,000 from the parent company, £38,000 has been repaid at the date of approval of these financial statements.

In June 2020, the Company secured a bounce back loan of £50,000 as part of the UK Government's COVID-19 business support programmes. This loan is payable over 6 years, unsecured and interest free in the first year.

After the year-end, the Company agreed an asset finance facility of £22,000 for an asset that was payable within trade creditors at 31 December 2019.

16. Controlling party

The ultimate controlling party is AM Surface Technologies Limited by virtue of its 100% shareholding.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2019 was unqualified.

In their report, the auditor draws attention to the material uncertainty relating to going concern without qualifying their report:

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures in note 2.2 regarding the ability of the Company to continue as a going concern.

The Company recorded a loss for the year of £150,000 and at 31 December 2019 had cash reserves of £42,952 including cash at bank of £339 and other bank facilities of £42,613. As explained in note 2.2 to the financial statements, future sources of funding for the Company are dependent on the expected timing and realisation of anticipated milestone payments, commercial income and costs covering the operations of the Company. There are also inherent uncertainties arising as a result of COVID-19 which is impacting a range of markets. The Company's principal market is that of coatings and surface technologies in the medical device industry. COVID-19 has resulted in short-term postponements of medical surgeries involving certain of these medical devices that the Company works with.

The Company's forecasts for the current and future years assume significant revenue growth and the success of development expenditure being achieved, which is inherently uncertain.

The timing and realisation of these milestones and future growth of revenue is uncertain due to the impact of COVID-19 which has caused global uncertainty.

These matters, in addition to those explained further in note 2.2 to the financial statements, are material uncertainties which may cast doubt on the Company's ability to continue as a going concern for the foreseeable future. The financial statements do not include adjustments that would result if the Company was unable to continue as a going concern.

The audit report was signed on 22 July 2020 by Sue Staunton MA FCA CF (Senior Statutory Auditor) on behalf of James Cowper Kreston.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.