

- AMENDED -
Group Strategic Report, Report of the Directors and
Consolidated Financial Statements
for the Period 29 July 2014 to 31 December 2014
for
THORN MEDICAL PLC

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THORN MEDICAL PLC

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FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

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THORN MEDICAL PLC

**Company Information
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

DIRECTORS:

J Kaye
M H Bashir
N N Patel
M A Hay

REGISTERED OFFICE:

Victoria House
18 Dalston Gardens
Stanmore
Middlesex
HA7 1BU

REGISTERED NUMBER:

09151051

AUDITORS:

BBK Partnership
Chartered Accountants and Registered Auditors
1 Beauchamp Court
Victors Way
Barnet
Herts
EN5 5TZ

THORN MEDICAL PLC

Chairman's Report FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

Since Thorn Medical's formation in late July 2014, the company has been developing and growing at an exponential rate. In its initial five months of operation, it has established four direct subsidiaries and taken controlling interest in a further six companies.

Since inception, Thorn Medical has grown rapidly both through organic growth as well as through strategic acquisitions. 2014 has been a particularly exciting period for Thorn Medical and its investors, as significant value has been added to the business in this way.

Some key highlights include:

- Successfully developing early diagnostic kits for colorectal cancer, heart arrhythmias (HEARTi) and breast cancer (BREASTCHECK & PROFEMME). These products are targeted at health-conscious consumers and address a lucrative and growing sub-sector in the healthcare market.
- Drawing upon the cross-disciplinary expertise within Thorn Medical it has successfully researched and developed the Pharmex range of nutraceuticals based upon natural, active ingredients. These will be launched in the practitioner market to be prescribed by health professionals as well as provided as a consumer range.
- Introducing new technologies (GERMGUARD) to meet the challenges of pathogenic disease. Recent health crises such as Ebola and the MERS virus have created huge challenges for governments and healthcare professionals alike but also demonstrated major opportunities for which Thorn Medical has developed cost-effective sanitation solutions to minimise the spread of communicable diseases.

The products and technologies will find multiple markets including consumer retail, aviation, primary care, nursing homes, pharmacies and hospitals. Thorn Medical is expecting strong growth for these products, increasing the revenue of the company further and adding additional value for investors.

Underpinning this growth is an intention to provide market-leading products to as many consumers as possible.

Functional foods and the idea of food as medicine are becoming increasingly popular and the market for these value-added products is expecting to reach over \$150 billion by the end of 2014. The investment in chia seeds and their potential for therapeutic use should see the company soon introduce chia-derived products into the market.

Another example of this approach is the creation of Thorn Halal, a wholly owned subsidiary of Thorn Medical. Halal consumers will constitute a third of the world's population by 2025 and the halal market is expected to be worth \$1.6 trillion by 2018.

Thorn Halal will allow Thorn Medical to develop a market leading position in this lucrative and fast growing sector. The primary focus is the development and introduction into the market of halal medicines, nutraceuticals and cosmetics and halal-focused partnerships within the food service, aviation, travel and health sectors, adding further value to the company and its investors.

2015 is expected to be a successful year, as Thorn Medical continues to bring products from R&D stage to full commercialisation. Thorn Medical is providing effective healthcare, delivered worldwide and I would like to thank you for your continued investment and support.

The company is currently preparing a Prospectus for submission to the UK Financial Conduct Authority (FCA) to enable it to list its securities on the London Stock Exchange Standard List.

As part of its ongoing long term strategy, Thorn Medical will continue to both develop its existing portfolio of technology and patents as appropriate, and acquire additional complimentary businesses to add to its portfolio.

THORN MEDICAL PLC

Chairman's Report
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014



J Kaye - Chairman

Date: 15 December 2015

THORN MEDICAL PLC

Group Strategic Report FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

The directors present their strategic report of the company and the Group for the period 29 July 2014 to 31 December 2014.

BUSINESS REVIEW

Since Thorn Medical's formation in late July 2014, the company has been developing and growing at an exponential rate. In its initial five months of operation, it has established four direct subsidiaries and taken controlling interest in a further six companies. Additional acquisitions are planned and the company has announced its intention to list its securities on a UK based exchange in 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group comprises some established business units and also a majority of units at an earlier stage of development. Early returns are not expected from these newer companies. The overall business must be considered in light of the risks, expenses and cash flow requirement often encountered by early stage companies.

The directors continue to assess the risks facing the company. Both the securing of new business and maintain existing relationships are key to the company's success. The Company may require additional financing to develop and grow its business both organically and through acquisitions.

The Group's ability to be a successful business depends to a significant extent on the continued service of its key employees and Directors. The loss of service of one or more of these key employees could affect the Company's business and prospects. The Directors believe that the growth and future success of the Company's business will depend in large part on the Group's continued ability to attract, motivate and retain highly-skilled personnel.

KEY PERFORMANCE INDICATORS

The company relies upon the monthly management reporting and ongoing forecasting of its Group subsidiaries to determine the effectiveness of its ongoing business strategy and where and when necessary to make changes to its development plans which reflect ongoing global market conditions.

Developing and maintaining the brand and company profile through name awareness and increasing its patents and intellectual property through cross-fertilisation remains a key performance indicator.

ON BEHALF OF THE BOARD:



J Kaye - Director

Date: 15 December 2015

THORN MEDICAL PLC

Report of the Directors FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

The directors present their report with the financial statements of the company and the Group for the period 29 July 2014 to 31 December 2014.

INCORPORATION

Thorn Medical PLC was incorporated on 29 July 2014.

PRINCIPAL ACTIVITY

Thorn Medical will be the first-choice, trusted expert investor and acceleration partner that enables the rapid and successful development and distribution of innovative, scientifically-validated medical technology, pharmaceutical products and healthcare services companies in order to break down the barriers to transforming the efficiency and effectiveness of healthcare provision worldwide.

To achieve this, and deliver enhanced return on capital, it will acquire interests in and increase performance in a Group of selected healthcare innovators, streamlining operations, reducing costs, encouraging cross-fertilisation and expanding market reach by providing best practice flexible management services.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2014.

FUTURE DEVELOPMENTS

Since the year end the Group have acquired controlling interest in an additional company that specialises in Clean Waste Technology with a focus on medical waste. This acquisition incorporates further intellectual property that complements the company's existing portfolio.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

DIRECTORS

The directors who have held office during the period from 29 July 2014 to the date of this report are as follows:

J Kaye - appointed 29 July 2014
M H Bashir - appointed 28 September 2014
N N Patel - appointed 28 October 2014
M A Hay - appointed 28 September 2014
C Gates – appointed 1 April 2015 and resigned 11 June 2015.
Lord M W Beaverbrook - appointed 26 February 2015 and resigned 10 June 2015.
K L Milne - appointed 2 March 2015 and resigned 21 May 2015.
G M Wilson – appointed 6 October 2014 and resigned 12 December 2014.
I Mohammed - appointed 28 September 2014 and resigned 2 October 2014
J Kelleher - appointed 28 September 2014 and resigned 29 October 2014.
G Jackson – appointed 29 July 2014 and resigned 28 September 2014.

All the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

THORN MEDICAL PLC

**Report of the Directors
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

DIRECTORS' RESPONSIBILITIES STATEMENT - continued

- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

ON BEHALF OF THE BOARD:



J Kaye - Director

Date: 15 December 2015

Report of the Independent Auditors to the Members of Thorn Medical Plc

We have audited the financial statements of Thorn Medical Plc for the period ended 31 December 2014 on pages seven to thirty five. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 a Report of the Auditors 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages four and five, 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 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 Group's and the parent 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 Chairman's Report the Group Strategic Report and the Report of the Directors 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 Group's and the parent company's affairs as at 31 December 2014 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 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.

**Report of the Independent Auditors to the Members of
Thorn Medical Plc**

Alan Kaye (Senior Statutory Auditor)
for and on behalf of BBK Partnership
Chartered Accountants and Registered Auditors
1 Beauchamp Court
Victors Way
Barnet
Herts
EN5 5TZ



Date: 15 December 2015

THORN MEDICAL PLC (REGISTERED NUMBER: 09151051)

**Consolidated Statement of Profit or Loss
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

	Notes	£
Revenue	3	169,829
Cost of sales		<u>(117,752)</u>
GROSS PROFIT		52,077
Selling and distribution expenses		(1,190)
Administrative expenses		<u>(123,321)</u>
OPERATING LOSS	5	<u>(72,434)</u>
LOSS BEFORE TAX		(72,434)
Income tax credit	6	<u>8,565</u>
LOSS FOR THE PERIOD	3	<u><u>(63,869)</u></u>
Attributable to:		
Equity holders of the parent		(39,923)
Non-controlling interests		<u>(23,946)</u>
		<u><u>(63,869)</u></u>
Loss per share: (Note 10)		
Basic and diluted, loss for the period attributable to ordinary equity holders of the parent	10	(0.0006)

The notes form part of these financial statements

THORN MEDICAL PLC (REGISTERED NUMBER: 09151051)

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

	£
LOSS FOR THE PERIOD	(63,869)
OTHER COMPREHENSIVE INCOME / (LOSS)	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD NET OF TAX	<u>(63,869)</u>
Attributable to:	
Equity holders of the parent	(39,923)
Non-controlling interests	<u>(23,946)</u>
	<u>(63,869)</u>

The notes form part of these financial statements

THORN MEDICAL PLC (REGISTERED NUMBER: 09151051)

**Consolidated Statement of Financial Position
31 DECEMBER 2014**

	Notes	£
ASSETS		
NON-CURRENT ASSETS		
Goodwill	7	7,600,806
Intangible assets	8	33,899,043
Property, plant and equipment	11	<u>32,038,160</u>
		<u>73,538,009</u>
CURRENT ASSETS		
Inventories	12	44,308
Trade and other receivables	13	104,155
Other current financial assets		250
Cash and cash equivalents	14	<u>254,263</u>
		<u>402,976</u>
TOTAL ASSETS		<u><u>73,940,985</u></u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	15	6,362,563
Other reserves	16	50,291,867
Accumulated loss	16	<u>(39,923)</u>
		56,614,507
Non-controlling interests		<u>16,046,368</u>
TOTAL EQUITY		<u><u>72,660,875</u></u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Other liabilities	17	605,793
Deferred tax liabilities	6	<u>314,926</u>
		<u>920,719</u>
CURRENT LIABILITIES		
Trade and other payables	17	349,092
Income tax payable		<u>10,299</u>
		<u>359,391</u>
TOTAL LIABILITIES		<u><u>1,280,110</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>73,940,985</u></u>

The notes form part of these financial statements

THORN MEDICAL PLC (REGISTERED NUMBER: 09151051)

**Company Statement of Financial Position
31 DECEMBER 2014**

	Notes	£
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8	32,326,878
Investments	18	<u>24,327,551</u>
		56,654,429
TOTAL ASSETS		<u><u>56,654,429</u></u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	15	6,362,563
Other reserves	16	50,291,867
Accumulated loss		<u>(15,000)</u>
TOTAL EQUITY		<u>56,639,430</u>
LIABILITIES		
CURRENT LIABILITIES		
Other payables		<u>14,999</u>
TOTAL LIABILITIES		<u>14,999</u>
TOTAL EQUITY AND LIABILITIES		<u><u>56,654,429</u></u>

The financial statements were approved by the Board of Directors on 15 December 2015 and were signed on its behalf by:



.....
J Kaye - Director

The notes form part of these financial statements

THORN MEDICAL PLC (REGISTERED NUMBER: 09151051)

**Consolidated Statement of Changes in Equity
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

	Attributable to the equity holders of the parent				
	Called up share capital £	Other reserves £	Accumulated loss £	Total £	Non-controlling interest £
					Total equity £
As at 29 July 2014	-	-	-	-	-
Issue of share capital (Note 15)	6,362,563	50,291,867	-	56,654,430	56,654,430
Acquisition of subsidiaries	-	-	-	-	16,070,314
Total comprehensive loss for the period	-	-	(39,923)	(39,923)	(23,946)
As at 31 December 2014	6,362,563	50,291,867	(39,923)	56,614,507	16,046,368
					72,660,875

The notes form part of these financial statements

Company Statement of Changes in Equity
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

	Called up share capital £	Other reserves £	Retained earnings £	Total equity £
As at 29 July 2014	-	-	-	-
Issue of share capital (Note 15)	6,362,563	50,291,867	-	56,654,430
Total comprehensive loss for the period	-	-	(15,000)	(15,000)
As at 31 December 2014	<u>6,362,563</u>	<u>50,291,867</u>	<u>(15,000)</u>	<u>56,639,430</u>

Consolidated Statement of Cash Flows
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

	Notes	£
Operating activities		
Loss before tax		(72,434)
Adjustments to reconcile loss before tax to net cash:		
Depreciation of Property, Plant and Equipment		1,513
Amortization of Intangible Assets		42,835
Working capital adjustments:		
Decrease in Inventories		20,504
Net cash flows used in operating activities		(7,582)
Investing Activities		
Cash from acquired subsidiaries		261,845
Net cash flows from investing activities		261,845
Net increase in cash and cash equivalents		254,263
Cash and cash equivalents at 29 July 2014		-
Cash and cash equivalents at 31 December 2014	14	254,263

THORN MEDICAL PLC

Notes to the Consolidated Financial Statements FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

1. ACCOUNTING POLICIES

General information

Thorn Medical PLC was incorporated in the England and Wales on 29 July 2014. The company is owned by individual shareholders. Thorn Medical PLC heads up its Group but is not itself a subsidiary of a bigger Group. The address of its registered office is Victoria House, 18 Dalston Gardens, Stanmore, Middlesex, HA7 1BU.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The financial statements are both parent company and Group financial statements.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Going concern

To the extent that sufficient cash flows from operations including the collection of receivables are not available the Group has in place a credit line of £0.5m with one of its shareholders, Montroyal Management Services Limited, which has been extended until 31 December 2016. The monies provided under the credit line agreement are going to be settled by way of shares issued in lieu. The proceeds from the credit line shall be used to fund general corporate purpose and working capital of the Group. In addition to that the Group has a written undertaking from one of the subsidiaries' directors that the director will not recall amounts owing by Group to him of £602 thousand until the Group is in a position to repay but in any instance at least for a period of 12 months from the date of this document. The directors have a reasonable expectation that the Group has currently, and will be able to obtain in future, the funding necessary to continue operations for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**Notes to the Consolidated Financial Statements - continued
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Notes to the Consolidated Financial Statements - continued
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

Revenue recognition

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, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Group.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant shares acquired of the carrying value of the net assets of the subsidiary is recognised in equity.

THORN MEDICAL PLC

Notes to the Consolidated Financial Statements - continued FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Unpatented Technology and Trade Secrets	10 years
Trademark and Branding	10 years
Trade Dress (Package design)	10 years
Customer Contracts and the Related Customer Relationship	8 years
License & Agreements	8 years
Franchise Agreements	5 years

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Property, plant and equipment

All repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in the equity. However to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Freehold land	- Nil
Plant and machinery	- 20% reducing balance
Fixtures and fittings	- 20% reducing balance

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are expensed as incurred.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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Notes to the Consolidated Financial Statements - continued FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Finished goods: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

Notes to the Consolidated Financial Statements - continued
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Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of consideration transferred

Where equity interests are issued by the acquirer as consideration, the guidance in IFRS 13 on determining the fair value of an entity's own equity should be followed. IFRS 3 clarifies that they are to be measured at their fair values at the acquisition date, rather than at an earlier agreement date. The acquisition-date fair value of the acquiree's equity interests may be more reliably measurable than that of the acquirer's equity interests. In that case, IFRS 3 requires goodwill to be calculated using the fair value of the acquiree's equity interests rather than the fair value of the equity interests transferred.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in notes to the financial statements.

3. SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

- The pharmacy sales segment, which is a supplier of pharmaceutical products.
- The alcohol-free products segment, which produces the SeriZar products effective in killing disease-causing pathogens.
- The clinical device development segment which is for thermometry based and electrical sensor technologies for disease detection and is pre-revenue.

No operating segments have been aggregated to form the above reportable operating segments.

The CEO and directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

THORN MEDICAL PLC

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Period from 29 July 2014 to 31 December 2014	Pharmacy	Alcohol-free technology	Clinical device development	Consolidated
Revenue	141,753	28,076	-	169,829
Expenses				
Depreciation and amortisation	38,041	3,185	-	41,226
Segment result	(49,436)	4,215	-	(45,221)
Other costs arising in other group's operating segments	-	-	-	(27,213)
Taxation	-	-	-	8,565
Loss for the period	-	-	-	(63,869)
Total assets	3,853,175	357,650	64,326,778	68,537,603
Total liabilities	(1,083,402)	(69,937)	-	(1,153,339)
Unallocated assets/liabilities	-	-	-	5,276,611
				72,660,875

Geographic information

For the period ended 31 December 2014, all revenue for the period was generated in the United Kingdom.

4. EMPLOYEES AND DIRECTORS

Wages and salaries £
9,425

The average monthly number of employees during the period was as follows: 2

5. OPERATING LOSS BEFORE TAX

The loss before tax is stated after charging:

	£
Fees payable to the company's auditor for the audit of the company's annual accounts	15,000
Other operating leases	7,889
Depreciation - owned assets	1,513
Amortisation	<u>42,835</u>

6. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the period. The major components of income tax expense for the period ended 31 December 2014 are:

	£
Deferred tax:	
Relating to origination and reversal of temporary differences	<u>8,565</u>
Income tax credit reported in the statement of profit or loss:	<u>8,565</u>

THORN MEDICAL PLC

**Notes to the Consolidated Financial Statements - continued
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Reconciliation of tax credit to loss before tax multiplied by UK's corporation tax rate:

	£
Loss before tax	(72,434)
Tax at a rate of 20.0%	(14,487)
Tax loss not recognised	<u>5,922</u>
Income tax credit reported in consolidated income statement at effective rate of 12%:	<u>(8,565)</u>

DEFERRED TAX

	£
At date of incorporation	-
Deferred tax arose from business combinations	<u>314,926</u>
Deferred tax liability at 31 December 2014	<u>314,926</u>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Deferred tax assets have not been recognised in respect of those losses that are not expected to be utilised. These unproved losses may not be used to offset taxable profits elsewhere in the Group as they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

The temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability has not been recognised in the periods presented. The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

7. GOODWILL

Group

	£
COST	
Additions	<u>7,600,806</u>
At 31 December 2014	<u>7,600,806</u>
NET BOOK VALUE	
At 31 December 2014	<u>7,600,806</u>

Goodwill acquired through business combinations is allocated to the CGUs which are tested for impairment at least annually. The preliminary results of the director's review of goodwill including sensitivity analysis for reasonable changes in assumptions still indicate remaining headroom.

31 December 2014	Pharmacy	Alcohol-free technology	Product development segment	Medical device development segment	Consolidated
Goodwill	2,269,802	121,221	5,111,176	98,607	7,600,806

THORN MEDICAL PLC

**Notes to the Consolidated Financial Statements - continued
FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014**

8. INTANGIBLE ASSETS

Group

£

COST

At date of incorporation

Acquisition of Intellectual Property (i)	32,326,878
Recognized in business combinations (ii)	1,615,000
At 31 December 2014	<u>33,941,878</u>

AMORTIZATION

Amortization for the period

(42,835)

NET VALUE

At 31 December 2014

33,899,043

The company made an offer to acquire the intellectual property portfolio of Westhouse Medical Services Plc which was approved by Westhouse shareholders on 27 October 2014 and exercised by the company for a total consideration of £32,326,878, which was satisfied by way of distribution to Westhouse shareholders of 51,922,431 Thorn Medical Plc. shares.

The acquired intellectual property portfolio relates to "Breastcheck" and "Profemme", medical products designed for the detection of breast cancer. No amortisation has been provided in relation to these assets as in the directors' opinion the useful economic life of the assets is indefinite.

Acquired intangible asset with indefinite life is allocated to the Clinical Device Development CGU and is tested for impairment at least annually. The preliminary results of the director's review of the recoverable amount of the intangible asset including sensitivity analysis for reasonable changes in assumptions indicate no impairment.

The provisional values of the intangible assets recognized in business combinations, detailed below (please refer to Note 9 for further details):

	Cost	Amortization	Net Value
Trademark and Branding	502,000	(11,159)	490,841
Customer lists/contracts	725,000	(22,323)	702,677
Unpatented technology	299,000	(7,256)	291,744
Licenses and agreements	42,000	(980)	41,020
Franchise agreements	26,000	(767)	25,233
Packaging	21,000	(350)	20,650
Total	<u>1,615,000</u>	<u>(42,835)</u>	<u>1,572,165</u>

Company

£

COST

At date of incorporation

Acquisition of Intellectual Property	<u>32,326,878</u>
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As at 31 December 2014

32,326,878

NET VALUE

At 31 December 2014

32,326,878

THORN MEDICAL PLC

Notes to the Consolidated Financial Statements - continued FOR THE PERIOD 29 JULY 2014 TO 31 DECEMBER 2014

9. BUSINESS COMBINATIONS – SUBSIDIARIES ACQUISITIONS AND DISPOSALS

Since the Company formation in late July 2014, the Company established five direct subsidiaries and taken controlling interest in a further six companies. Details of the company's subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Date of acquisition / incorporation	Place of incorporation	Ownership interest %	Voting power held	Principal activity
Medcal Properties Limited	17 November 2014	England and Wales	51%	51%	Land and buildings owned for medical developments.
Radley Pharma Limited	1 October 2014	England and Wales	51%	51%	Medical research and development.
HealthVillagePlus Limited	1 October 2014	England and Wales	51%	51%	Retail pharmacy.
Creative Supply Solutions Limited	12 November 2014	England and Wales	51%	51%	Development of medical products for retail sale.
Silmed Limited	5 December 2014	England and Wales	51%	51%	Development of medical products for retail sale.
Thorn Asia Limited*	31 October 2014	England and Wales	100%	100%	Research and development with retail sale within Asia.
Thorn Halal Limited*	27 October 2014	England and Wales	100%	100%	Research and development with retail sale for halal market.
Thorn Nutraceuticals Limited*	31 October 2014	England and Wales	100%	100%	Research and development with retail sale specialising with organic foods.
Thorn Ventures Limited*	27 October 2014	England and Wales	100%	100%	Detect and develop various opportunities for the Group.
Thorn Operations Limited*	24 October 2014	England and Wales	100%	100%	Operations company.
Think Pharmacie First Limited*	23 October 2014	England and Wales	51%	51%	E-commerce platform for pharmaceutical activities.

*- established by the Company

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of businesses acquired as at the date of each acquisition were:

	Fair value recognised on acquisition				
	Healthvillageplus Ltd	Creative Supply Solutions Ltd	Medcal Properties Ltd	Radley Pharma Ltd	Silmed Ltd
Assets					
Property, plant and equipment	37,958	1,814	31,999,900	-	-
Intangible assets	1,241,000	181,000	-	62,000	131,000
Cash and cash equivalents	253,972	5,121	100	766	1,886
Trade and other receivables	64,781	38,774	-	250	-
Inventories	57,409	6,168	-	-	1,236
	1,655,120	232,877	32,000,000	63,016	134,122

THORN MEDICAL PLC

**Notes to the Consolidated Financial Statements - continued
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Liabilities					
Trade and other payables	850,653	30,592	-	72,530	1,112
Deferred tax	248,200	36,691	-	12,400	26,200
Income tax	6,860	3,283	-	-	156
	1,105,713	70,566	-	84,930	27,468
Total identifiable net assets/(liabilities) at fair value	549,407	162,311	32,000,000	(21,914)	106,654
Non-controlling interest	(269,209)	(79,532)	(15,680,000)	10,738	(52,261)
Goodwill arising on acquisition	2,269,802	121,221	-	5,111,176	98,607
Purchase consideration transferred	2,550,000	204,000	16,320,000	5,100,000	153,000

For all acquisitions, the Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets except for the acquisition of Medcal Properties where the non-controlling interest has been measured at fair value.

The consideration for the acquisitions of the subsidiaries was satisfied by way of the Company's shares and have been transferred by the Company's shareholder - Montroyal Management Services Limited on behalf of the Company. The fair value of the consideration transferred has been based on director's best estimate and ranges from £1 to £2 per share.

The deferred tax liability comprises the tax effect of the intangible assets acquired in the business combinations.

No significant differences were identified in the valuation of the remaining assets and liabilities against their book value.

The goodwill of £7,600,806 comprises the value of expected synergies arising from the acquisition, which is not separately recognised. Goodwill is allocated to cash generating units as described in Note 7. None of the goodwill recognised is expected to be deductible for income tax purposes.

The initial accounting for the acquisition of the subsidiaries (including the intangible assets identified) has only been provisionally determined at the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimates.

From the date of acquisition, the subsidiaries contributed:

	Healthvillageplus Ltd	Creative Supply Solutions Ltd	Medcal* Properties Ltd	Radley* Pharma Ltd	Silmed Ltd
Revenue	140,061	28,076	-	-	-
Profit / (loss) before tax	(20,186)	7,228	-	-	(1,150)

*- pre-revenue

THORN MEDICAL PLC

**Notes to the Consolidated Financial Statements - continued
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10. LOSS PER SHARE

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Company does not have any dilutive potential ordinary shares outstanding during the period.

The following table reflects the income and share data used in the basic and diluted EPS computation:

Loss attributable to ordinary equity holders of the parent for basic and dilutive calculation:	(39,923)
Weighted average number of ordinary shares for basic and diluted EPS	<u>63,625,627</u>
Basic and diluted loss per share	<u>(£0.0006)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At date of incorporation	-	-	-	-
Additions	-	-	-	-
Acquisition of subsidiaries	31,999,900	96	39,677	32,039,673
At 31 December 2014	<u>31,999,900</u>	<u>96</u>	<u>39,677</u>	<u>32,039,673</u>
DEPRECIATION				
At date of incorporation	-	-	-	-
Charge for period	<u>-</u>	<u>-</u>	<u>1,513</u>	<u>1,513</u>
At 31 December 2014	<u>-</u>	<u>-</u>	<u>1,513</u>	<u>1,513</u>
NET BOOK VALUE				
At 31 December 2014	<u>31,999,900</u>	<u>96</u>	<u>38,164</u>	<u>32,038,160</u>

Fair value of acquired land in Medcal Properties in Bahamas (see Note 9) was determined by a valuer based on active market prices, significantly adjusted for differences in the nature, location and condition of the acquired land. The land fair value is based on valuation performed by Clifford Moss, an accredited independent valuer who has valuation experience for similar land in Bahamas region.

THORN MEDICAL PLC

**Notes to the Consolidated Financial Statements - continued
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12. INVENTORIES

	£
Finished goods	<u>44,308</u>

During 2014 period, £117,752 was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

13. TRADE AND OTHER RECEIVABLES

	£
Current:	
Trade debtors	70,506
Other debtors	11,290
VAT	20,636
Prepayments	<u>1,723</u>
	<u>104,155</u>

14. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

	£
Cash in hand	1,375
Bank accounts	<u>252,888</u>
	<u>254,263</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
63,625,627	Ordinary Shares	10p	<u>6,362,563</u>

On incorporation, the authorised share capital of the Company was £50,000 divided into 500,000 ordinary shares of £0.10 each. On 26 September 2014 63,125,627 ordinary shares of £0.10 each were issued.

16. RESERVES

	Accumulated loss £	Other reserve £	Totals £
At 29 July 2014	-	-	-
Deficit for the period	(39,923)		(39,923)
Shares issued	<u>-</u>	<u>50,291,867</u>	<u>50,291,867</u>
At 31 December 2014	<u>(39,923)</u>	<u>50,291,867</u>	<u>50,251,944</u>

Other reserves include share premium from the acquisition of IP rights and company's contractual obligation to deliver company's shares to Montroyal Management Services Limited, one of the shareholders, who transferred consideration in the form of the company's shares on behalf of the company for the acquired businesses.

THORN MEDICAL PLC

**Notes to the Consolidated Financial Statements - continued
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17. TRADE AND OTHER PAYABLES AND OTHER LIABILITIES

	Group £
Current:	
Trade creditors	249,824
Social security and other taxes	2,812
Other creditors	8,280
Accrued expenses	16,846
Current account with a director of a subsidiary	<u>71,330</u>
	<u>349,092</u>
Non-current:	
Current account with a director of a subsidiary (Note 21)	<u>605,973</u>

18. INVESTMENTS

Company	£
COST	
Additions	<u>24,327,551</u>
At 31 December 2014	<u>24,327,551</u>
NET BOOK VALUE	
At 31 December 2014	<u>24,327,551</u>

Company investment in subsidiaries (please refer to Note 9 for further details):

Name of subsidiary	Consideration (£)
Medcal Properties Limited	£ 16,320,000
Radley Pharma Limited	£ 5,100,000
HealthVillagePlus Limited	£ 2,550,000
Creative Supply Solutions Limited	£ 204,000
Silmed Limited	£ 153,000
Thorn Asia Limited	£ 100
Thorn Halal Limited	£ 100
Thorn Neutraceuticals Limited	£ 100
Thorn Ventures Limited	£ 100
Thorn Operations Limited	£ 100
Think Pharmacie First Limited	£ 51
Total	£ 24,327,551

19. LEASING AGREEMENTS

	Non-cancellable operating leases £
Total commitments under non-cancellable operating leases were as follows:	
Within one year	-
Between one and five years	-
In more than five years	<u>158,510</u>
	<u>158,510</u>

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20. FINANCIAL INSTRUMENTS

Liquidity risk

The Group monitors its risk of a shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through arrangements within the Group and with related parties to ensure that suitable and appropriate access to funding is available. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Foreign currency risk

The Group's principle foreign currency exposure arises from payments due to suppliers in currencies other than UK sterling, primarily the Euro and US Dollar. The director does not believe that this exposure represents a material risk to the Group.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed by each business unit. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with provision for doubtful debts made where necessary.

As at 31 December 2014, the Group has a single trade receivable balance from government body arising from being the pharmacy contractors for NHS' services. The balance comprises 60% of the total trade receivable balance. Given the nature of this customer, the Group evaluates the concentration of risk with respect to trade receivables as low.

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

On 27 October 2014, the Group acquired intellectual property from Westhouse Medical Services PLC by issuing ordinary share of the Company. The consideration of £32,326,878 was paid by issuing ordinary £0.10 shares in Thorn Medical PLC to all Westhouse Medical Services PLC shareholders. Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. The shareholders of the Westhouse Medical Services PLC are also shareholders of the Company.

A parent company of the Group, Montroyal Management Services Limited, has agreed to provide credit line of £0.5m by a way of a draw down at the discretion of the Group, subject to certain restriction. The credit line is provided from 1 July 2014 to 30 June 2015 and has been extended up to 31 December 2016. The Group has not drawn down on the credit line as at 31 December 2014.

Transactions with key management personnel

The Group has a current account with a director of a trading subsidiary of £605,973. The current account is interest free.

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Ultimate parent undertaking and controlling party

As at 31 December 2014 the Company is owned by the following shareholders.

Shareholder	Number of	% of
	Ordinary Shares	Voting Rights
Kurdam Limited	13,847,660	16.56
Conformio Limited	11,491,101	13.74
Montroyal Management Services Limited	11,174,274	13.36
Zug Business Solutions	5,627,300	6.18
Radley Ventures Nominees Limited	5,168,212	6.18
Zy-Go Solutions Limited	4,000,000	4.78
Braham L Campbell	3,560,000	4.26
Z. Ali	2,550,000	3.05

22. KEY MANAGEMENT REMUNERATION

Key management, being the directors, did not receive any remuneration or any other compensation during the period.

23. STANDARD ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2015, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

Notes to the Consolidated Financial Statements - continued
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(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

(a) Sale of goods

Contracts in which pharmaceutical product sale is the only performance obligation is not expected to have any impact on the Group. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

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Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

24. EVENTS AFTER THE REPORTING PERIOD

Since the period end on 4 February 2015 the Group has acquired 51% of the issued share capital of Clean Waste Development SHPK for the sum of £600,000, which was satisfied by way of 200,000 company's shares at a price of £3 each.

On 9 April 2015, 20,000,000 ordinary shares of £0.10 each were issued.