

Financial Statements

Entellus Medical Europe Limited

For the Year Ended 31 December 2016

Registered number: 09574684



Entellus Medical Europe Limited

Company Information

Directors	Brent Moen (appointed 23 May 2016) Robert Steele White Thomas Edward Griffin (resigned 23 May 2016)
Registered number	09574684
Registered office	Level 1, Brockbourne House 77 Mount Ephraim Tunbridge Wells Kent TN4 8BS
Independent auditor	Grant Thornton UK LLP Statutory Auditor & Chartered Accountants 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS

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Directors' Report

For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year, after taxation, amounted to £342,785 (2015 - loss £284,593). The company was incorporated on the 5th May 2015, the prior year financial statements relate to the 8 month period to 31 December 2015.

The directors have not recommended a dividend (2015: £Nil).

Directors

The directors who served during the year were:

Brent Moen (appointed 23 May 2016)
Robert Steele White
Thomas Edward Griffin (resigned 23 May 2016)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

For the Year Ended 31 December 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Brent Moen
Director

Date:

September 22, 2017



Independent Auditor's Report to the Members of Entellus Medical Europe Limited

We have audited the financial statements of Entellus Medical Europe Limited for the year ended 31 December 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 1 and 2, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

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



Independent Auditor's Report to the Members of Entellus Medical Europe Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.

Grant Thornton UK LLP

Steven Cenci FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Reading
Date: 22/9/2017

Statement of Comprehensive Income

For the Year Ended 31 December 2016

		Year ended 31 December 2016 £	8 months ended 31 December 2015 £
	Note		
Turnover	3	1,426,105	257,999
Cost of sales		(236,998)	(44,777)
Gross profit		1,189,107	213,222
Administrative expenses		(1,531,892)	(497,815)
Loss on ordinary activities before taxation		(342,785)	(284,593)
Tax on loss on ordinary activities		-	-
Loss for the financial year/period		(342,785)	(284,593)

There was no other comprehensive income for 2016 (2015: £NIL).

The notes on pages 8 to 15 form part of these financial statements.


Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Debtors: amounts falling due within one year	6	938,814	393,704
Cash at bank and in hand	7	723,631	130,838
		<u>1,662,445</u>	<u>524,542</u>
Creditors: amounts falling due within one year	8	(2,215,852)	(795,360)
Net current liabilities		<u>(553,407)</u>	<u>(270,818)</u>
Total assets less current liabilities		<u>(553,407)</u>	<u>(270,818)</u>
Net liabilities		<u>(553,407)</u>	<u>(270,818)</u>
Capital and reserves			
Called up share capital		1	1
Other reserves	9	73,970	13,774
Profit and loss account	9	(627,378)	(284,593)
		<u>(553,407)</u>	<u>(270,818)</u>

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 were approved and authorised for issue by the board and were signed on its behalf on 22/9/2017


Brent Moen
Director

The notes on pages 8 to 15 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2016

	Share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	1	13,774	(284,593)	(270,818)
Loss for the financial year	-	-	(342,785)	(342,785)
Share based payment charge (note 10)	-	60,196	-	60,196
At 31 December 2016	1	73,970	(627,378)	(553,407)

Statement of Changes in Equity

For the Period Ended 31 December 2015

	Share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
Loss for the financial period	-	-	(284,593)	(284,593)
Shares issued during the period	1	-	-	1
Share based payment charge (note 10)	-	13,774	-	13,774
At 31 December 2015	1	13,774	(284,593)	(270,818)

The notes on pages 8 to 15 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. General information

Entellus Medical Europe Limited is a private company limited by shares and registered in England and Wales. The registered head office is located at Level 1, Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent, United Kingdom, TN4 8BS.

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.

Information on the impact of first-time adoption of FRS 102 is given in note 14.

The date of transition to FRS 102 was 5 May 2015, representing the date of incorporation.

The following principal accounting policies have been applied:

2.2 Going concern

The directors have reviewed the latest forecasts and cash flow projections for the UK company. In conjunction with this review and the intent of the company's ultimate parent undertaking to continue to provide the company with financial support, for a period of not less than 12 months from the date of approval of these financial statements to the extent the company is unable to meet its obligations itself, the directors consider it is appropriate to prepare the financial statements on a going concern basis.

2.3 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 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.

2.5 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.

2.6 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, intercompany payables, intercompany receivables and loans to related parties.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.8 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.

2.9 Share options

The ultimate parent company issues stock options to certain employees of the company.

The company accounts for stock based compensation using a fair value pricing model, Black Scholes. Options are recorded at estimated grant date fair value, this is then expensed straight line over the requisite service period based on the company's estimate of shares that will eventually vest. The accumulated share option charges are credited to other reserves within equity.

Fair value is measured by use of the Black Scholes pricing model. This requires the company to make assumptions and judgements about the variables used in the calculation including expected life, expected volatility, an assumed risk free interest rate and the dividend yield.

The company has opted to determine the expected life using the simplified method for estimating the expected term of options. Due to limited operating history the parent company has based estimated volatility on the historical volatility of a group of similar companies that are publicly traded. The risk free rate assumption is based on the US Treasury instruments with maturities similar to the expected term of the stock options. The expected dividend assumption is based on a history of not paying dividends and a continued expectation that the company will not declare dividends for the foreseeable future.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

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 Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.11 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position 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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

Notes to the Financial Statements

For the Year Ended 31 December 2016

4. Auditor's remuneration

	Year ended December 2016 £	Period ended December 2015 £
Fees payable to the company's auditor for the audit of the financial statements	<u>14,550</u>	<u>10,000</u>
Fees payable to the company's auditor in respect of:		
Non audit services	<u>1,500</u>	<u>1,500</u>

5. Employees

The average monthly number of employees during the year was 6 (2015 - 2).

6. Debtors

	2016 £	2015 £
Trade debtors	433,055	183,200
Amounts owed by group undertakings	479,918	126,086
Other debtors	25,840	71,387
Unpaid share capital	1	1
Prepayments	-	13,030
	<u>938,814</u>	<u>393,704</u>

7. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	<u>723,631</u>	<u>130,838</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

8. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	56,931	-
Amounts owed to group undertakings	1,933,534	666,315
Other taxation and social security	116,624	20,859
Other creditors	-	18,341
Accruals	108,763	89,845
	<u>2,215,852</u>	<u>795,360</u>

9. Reserves

Other reserves

Other reserves is representative of any accumulated share option charges incurred by the company.

Profit and loss account

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

Notes to the Financial Statements

For the Year Ended 31 December 2016

10. Share based payments

The ultimate parent company issues equity stock options to certain employees of the company. The fair value of the awards granted under the Entellus Medical Inc. 2015 and 2016 Incentive Aware Plan are estimated on the date of the grant using the Black Scholes Valuation model. Employees must complete a requisite service period of employment. The fair value determined at the grant date is expensed straight line over the vesting period, based on the company's estimate of the shares that will eventually vest. This vesting period is typically 6 years. If the options remain unexercised for a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest.

During the year ended 31 December 2016, options were granted on 5 April 2016 and 8 April 2016. On these dates, 11,000 options were granted to eight UK employees.

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	\$23.21	21,000		-
Granted during the year	\$14.66	11,000	\$23.21	21,000
Forfeited during the year	\$16.06	(2,000)		-
Outstanding at the end of the year	\$20.46	30,000	\$23.21	21,000

11. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totaling £16,088 (2015: £16,158) were payable to the fund at the Statement of financial position date and are included in other creditors.

12. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 section 33.1A not to disclose transactions with members of the group headed by Entellus Medical Inc., on the grounds that at least 100% of voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

13. Controlling party

The ultimate parent undertaking and controlling party is Entellus Medical Inc., a company incorporated in the United States of America.

The largest and smallest group of which the company is a member and for which group financial statements are drawn up is headed by Entellus Medical Inc, located at 3600 Holly Lane North, Suite 40, Plymouth, MN 55447, United States of America.

14. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.