

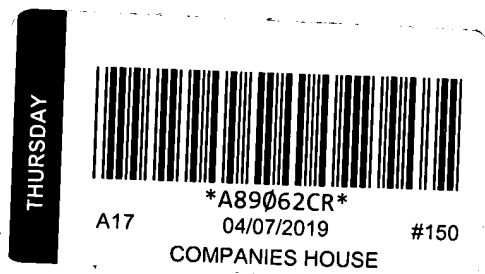


Grant Thornton

Unaudited Financial Statements

Inotec AMD Limited

For the Year Ended 31 December 2018



Registered number: 05002413

Balance Sheet

As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	4	56,630	86,581
Investments	5	62	62
		<u>56,692</u>	<u>86,643</u>
Current assets			
Stocks	6	155,058	120,297
Debtors: amounts falling due within one year	7	310,727	386,562
Cash at bank and in hand	8	758,874	593,452
		<u>1,224,659</u>	<u>1,100,311</u>
Creditors: amounts falling due within one year	9	(2,948,594)	(482,772)
		<u>(1,723,935)</u>	<u>617,539</u>
Net current (liabilities)/assets		<u>(1,723,935)</u>	<u>617,539</u>
Total assets less current liabilities		<u>(1,667,243)</u>	<u>704,182</u>
Net (liabilities)/assets		<u><u>(1,667,243)</u></u>	<u><u>704,182</u></u>

Balance Sheet (continued)

As at 31 December 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	10	50,584	46,310
Share premium account		7,214,368	7,214,271
Profit and loss account		(8,932,195)	(6,556,399)
		<u>(1,667,243)</u>	<u>704,182</u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

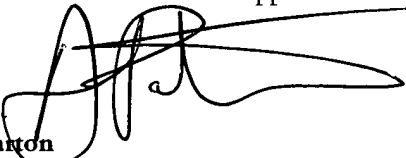
The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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

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

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/6/19


Dr A Pantón
Director

The notes on pages 4 to 12 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2018

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2017	1,232	4,728,098	(4,568,896)	160,434
Comprehensive income for the year				
Loss for the year	-	-	(1,987,503)	(1,987,503)
Total comprehensive income for the year	-	-	(1,987,503)	(1,987,503)
Shares issued during the year	45,078	2,486,173	-	2,531,251
At 1 January 2018	46,310	7,214,271	(6,556,399)	704,182
Comprehensive income for the year				
Loss for the year	-	-	(2,375,796)	(2,375,796)
Total comprehensive income for the year	-	-	(2,375,796)	(2,375,796)
Shares issued during the year	4,274	97	-	4,371
Total transactions with owners	4,274	97	-	4,371
At 31 December 2018	50,584	7,214,368	(8,932,195)	(1,667,243)

The notes on pages 4 to 12 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2018

1. General information

Inotec AMD Limited is a private company limited by shares incorporated in England and Wales. The registered office of the Company is Ground Floor, Unit 7340, Building 7300, Cambridge Research Park, Waterbeach, Cambridge, CB25 9PD.

The principal activity of the company in the year of review was that of research and development and manufacture of healthcare products.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. In order to invest in product development and commercialisation, as well as funding a large clinical trial in the US, the company is in the process of raising additional finance. £1.7m of advanced subscription agreements has been received in the first half of 2019. Further funding is expected to close by the end of August and it is expected that will be in the region of £8-10m through the issue of new shares. Further monies will be required by the end of 2020.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.4 Revenue

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

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.

2.5 Operating leases: the Company as lessee

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

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

2.6 Pensions

Defined contribution pension plan

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

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

2.7 Taxation

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.8 Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred

2.9 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method and on a reducing balance basis.

Depreciation is provided on the following basis:

Plant and machinery	-	33% Straight line
Fixtures and fittings	-	33% Reducing balance
Computer equipment	-	33% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

2.10 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Stocks

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Financial instruments

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 balance sheet date.

3. Employees

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

	2018	2017
	No.	No.
Average number of employees	10	7

Notes to the Financial Statements

For the Year Ended 31 December 2018

4. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2018	22,720	79,582	33,430	135,732
Additions	8,450	2,366	4,208	15,024
Disposals	-	(3,705)	(7,935)	(11,640)
At 31 December 2018	<u>31,170</u>	<u>78,243</u>	<u>29,703</u>	<u>139,116</u>
Depreciation				
At 1 January 2018	8,119	23,784	17,248	49,151
Charge for the year on owned assets	9,532	25,309	9,390	44,231
Disposals	-	(3,536)	(7,360)	(10,896)
At 31 December 2018	<u>17,651</u>	<u>45,557</u>	<u>19,278</u>	<u>82,486</u>
Net book value				
At 31 December 2018	<u><u>13,519</u></u>	<u><u>32,686</u></u>	<u><u>10,425</u></u>	<u><u>56,630</u></u>
At 31 December 2017	<u><u>14,601</u></u>	<u><u>55,798</u></u>	<u><u>16,182</u></u>	<u><u>86,581</u></u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

5. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018	62
At 31 December 2018	<u>62</u>

The company holds investments in three wholly-owned subsidiaries, Inotec AMD Canada, Inotec AMD Inc, and Inotec AMD Asia SDN.BHD registered in Canada, North Carolina, USA, and Malaysia respectively.

On the 28th of February 2018, Inotec AMD Inc was incorporated in the USA. This entity is 100% owned by Inotec AMD Limited by way of 100 shares.

On the 17th of July 2018, Inotec AMD Asia SDN.BHD was incorporated in Malaysia. This entity is 100% owned by Inotec AMD Limited by way of 1 share.

Notes to the Financial Statements

For the Year Ended 31 December 2018

6. Stocks

	2018	2017
	£	£
Finished goods and goods for resale	155,058	120,297
	<u>155,058</u>	<u>120,297</u>

A provision of £31k has been provided against obsolete materials and ageing stocks and a goodwill gesture for replacement stock of £16k has been recorded. Both have been recognised within cost of sales.

7. Debtors

	2018	2017
	£	£
Trade debtors	29,692	133,714
Other debtors	222,948	171,431
Prepayments and accrued income	58,087	81,417
	<u>310,727</u>	<u>386,562</u>

8. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	758,874	593,452
	<u>758,874</u>	<u>593,452</u>

9. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Loan notes	2,625,000	-
Trade creditors	136,040	86,917
Other taxation and social security	23,245	23,571
Other creditors	6,723	6,905
Accruals and deferred income	157,586	365,379
	<u>2,948,594</u>	<u>482,772</u>

The loan notes are unsecured, accrue no interest and are convertible or redeemable into shares under the terms of the instrument. If a qualifying funding round or redemption of the loan notes has not occurred by 31 March 2019, the loans are automatically converted into shares.

Notes to the Financial Statements

For the Year Ended 31 December 2018

10. Share capital

	2018	2017
	£	£
Authorised, allotted, called up and fully paid		
5,145,241 (2017 - 924,370) Ordinary shares of £0.001 each	5,145	924
185,380 (2017 - 132,000) F Ordinary shares of £0.001 each	185	132
16,970,090 (2017 - 16,970,090) Series A1 shares of £0.001 each	16,970	16,970
16,970,090 (2017 - 16,970,090) Series A2 shares of £0.001 each	16,970	16,970
11,313,393 (2017 - 11,313,890) Series A3 shares of £0.001 each	11,314	11,314
	<u>50,584</u>	<u>46,310</u>

During the year, 4,274,251 shares were issued and fully paid for, generating £4,274 of share capital.

Under an EMI share scheme, the company granted 1,225,000 share options at an exercise price of 1p per share (2017: 160,000). 79,000 options were exercised in the year (2017: Nil) with 1,181,000 options outstanding at the year end (2017: 160,000). The fair value of these options is considered to be £Nil, therefore no share based payment expense has been charged to the profit and loss.

The company operates an additional share option scheme, where 1,335,000 options were granted in the year with an exercise price of 1p per share (2017: 531,505). 395,253 of these options were exercised in the year (2017: 97,050) with 1,350,202 options outstanding at the year end (2017: 419,755). The fair value of these options is considered to be £Nil, therefore no share based payment expense has been charged to the profit and loss.

Subscription deeds for 3,800,000 shares for 1p per share remain outstanding at the year end.

The Ordinary shares, Series A1, Series A2, Series A3 and F Ordinary shares rank pari passu except on liquidation where Series A shareholders rank first.

Warrants were issued in respect of the Series A1, Series A2, and Series A3 investment rounds, where the holders have a right to subscribe in cash for up to or equal to half of the number of Series A1, Series A2, and Series A3 shares in issue from time to time.

11. Commitments under operating leases

	2018	2017
	£	£
Not later than 1 year	67,821	67,821
Later than 1 year and not later than 5 years	135,642	203,463
	<u>203,463</u>	<u>271,284</u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

12. Related party transactions

The aggregate cost regarding key management personnel is £235,578 (2017 - £187,032).

Included in revenue is income of £54,689 from intercompany recharges, and a management charge of £119,745 was incurred from its subsidiary Inotec AMD Inc. By period end, a balance of £50,902 was due to the company, which has been provided for in full.

During the year, there were transactions between the company and its subsidiary Inotec AMD Inc, totalling £277,386 (2017: £Nil). By the period end, a balance of £277,386, which has been provided for in full.