Biocomposites (UK) Limited

Annual report and consolidated financial statements

Registered number 03854291

31 December 2016

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Biocomposites®

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Group Strategic report

Business review and results

I am pleased to report continuing continuing growth for Biocomposites (UK) Limited (the Group) for the financial year ended 31 December, 2016.

Annual sales again improved, to £39,370,000 *(2015: £28,110,000)*, with major contribution from the company's leading technology, Stimulan®; particularly in the United States. This increase was underpinned by strategic investment in key areas of our business, including sales teams, together with marketing, manufacturing and research resources to continue the future growth of the business.

Pre-tax profit for the period increased to £13,113,000 *(2015: £7,367,000)*.

Capital investment continued during the year, particularly in manufacturing equipment in Keele and into our IT and marketing support infrastructure.

The Group's balance sheet improved during the year, with net assets of £22,834,000 *(2015: £15,029,000)* with cash reserves increasing to £18,838,000 *(2015: £10,550.000)*.

Biocomposites' calcium compound devices are used by surgeons for regenerating bone and managing dead space in trauma, spine, sports injuries and musculoskeletal infections.

Stimulan is a patented re-crystallised calcium sulfate, used globally by surgeons specialising in treating bone defects complicated by the presence of infection.

Further contribution to sales was made by our key brands; Fortoss®, Genex® and Biosteon®.

Fortoss Vital is a sister product to Genex, used primarily in dental implantology.

Genex is a patented synthetic bone graft matrix used primarily in trauma procedures and differentiated through superior handling characteristics and an engineered surface chemistry.

Biosteon is a range of synthetic fully absorbable devices, with unparalleled pedigree and used by surgeons in more than 40 countries, to re-attach knee and shoulder ligaments ruptured typically during sports activities.

The Group's board extends its gratitude to our skilled and dedicated employees that continually meet the challenges presented by a competitive market place and stringent regulatory and compliance standards.

Key performance indicators

The Group continuously monitors itself against several financial and non-financial KPIs. Non-financial KPIs mainly relate to feedback on the clinical performance and safety of our products and measurements of market penetration, where possible by reference to the number of hospitals and surgeon users.

Financial KPIs are measured monthly, quarterly and annually, with sales performance to monthly targets being monitored on a daily basis. In addition to this and other sales KPIs, the Group also measures itself to target and comparative gross margins, profit contribution and net profit performance. Cash flow management is critical to the success and continued growth of the business and this is also monitored and measured on an ongoing basis.

Principal risks and uncertainties

The Group competes in a tightly regulated industry and we sell our products into countries with strict medical and healthcare regulations and guidelines. A significant proportion of sales revenue is generated within the United States and the company operates regulatory compliance programmes commensurate with these activities. All of our products require regulatory clearances or approvals within the countries where they are offered for sale and the Group's future performance therefore requires continued vigilance in maintaining existing and obtaining new product clearances and approvals.

From a financial perspective, the business is sensitive to the selling price it can obtain for its products, especially in the current economic environment where there is ongoing price pressure.

Group Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

The Group has continued to mitigate against this risk by positively demonstrating both the clinical and medico-economic performance of its products. Given the international reach of the business, it is also sensitive to exchange rate fluctuations. We monitor exchange rates closely and have regular discussions in board meetings on our foreign exchange rate policies.

Future developments

The Group anticipates further penetration and sales growth in its key markets, but recognises that its infrastructure needs to continue to expand to support these operations. Therefore, in the short term increased sales may not necessarily result in a commensurate increase in profitability. Since future success also depends on continuing to provide clinical evidence on product performance and gaining additional regulatory clearances, the Group will continue to invest in its R&D programme.

By order of the board

Mr J S Bratt
CEO

Biocomposites (UK) Limited
Keele Science Park
Keele
Staffordshire
ST5 5NL
21 August 2017

Group Directors' report

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

Principal activities

The principal activity of the company is that of a holding company. The principal activities of the subsidiary undertakings are the sale of medical implants.

Dividend

A dividend of £3,000,000 was paid to the shareholders on 19 May 2016 *(2015: £nil)*.

Directors

The directors who held office during the year were as follows:

Mr J S Bratt
Mr J J Cooper (resigned 31 May 2017)
Dr R D Waters (resigned 31 May 2017)
Mr M J Hesp
Mr H B Bratt (resigned 31 May 2017)
Mr S M Fitzer (appointed 31 May 2017)

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year *(2015: £nil)*.

Research and development

The Group follows a policy of supporting a level of research activities commensurate with the current and future requirements of the business. Research and development spend in the year amounted to £1,128,000 *(2015: £1,332,000)*.

Post Balance Sheet Event

On 31 May 2017, the entire issued share capital of the company was acquired by Matrix BidCo Limited. The ultimate holding company of Matrix BidCo Limited is Matrix TopCo Limited which is controlled by TA Associates (UK) LLP.

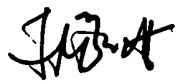
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Mr J S Bratt
Director

Biocomposites (UK) Limited
Keele Science Park
Keele
Staffordshire
ST5 5NL
21 August 2017

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Independent auditor's report to the members of Biocomposites (UK) Limited

We have audited the financial statements of Biocomposites (UK) Limited for the year ended 31 December 2016 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 6, 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 group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- We have not identified material misstatements in those reports; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006

Independent auditor's report to the members of Biocomposites Limited *(continued)*

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.

Mick Davies

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
23 August 2017

Consolidated Profit and Loss Account and Other Comprehensive Income

for year ended 31 December 2016

	Note	**2016 £000**	2015 £000
Turnover	*2*	**39,370**	28,110
Changes in stocks of finished goods and work in progress		**(227)**	717
Raw material and consumables		**(2,270)**	(1,298)
Other external charges	*3*	**(443)**	(498)
Staff costs	*4*	**(9,991)**	(7,978)
Depreciation and other amounts written off tangible fixed assets	*8*	**(227)**	(240)
Other operating charges	*3*	**(13,107)**	(11,474)
Operating profit		**13,105**	7,339
Interest receivable and similar income	*6*	**8**	28
Profit before taxation		**13,113**	7,367
Tax on profit	*7*	**(2,051)**	(734)
Profit for the financial year		**11,062**	6,633
Other comprehensive income			
Foreign exchange movements on net investments		**743**	146
Other comprehensive income for the year, net of income tax		**743**	146
Total comprehensive income for the year		**11,805**	6,779

All turnover and associated costs and profits are from continuing operations. There are no discontinued operations in the current or prior year.

The notes on pages 15 to 27 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2016

	Note	**2016 £000**	**2016 £000**	2015 £000	2015 £000
Fixed assets					
Tangible assets	*8*		**958**		765
Current assets					
Stocks	*10*	**1,091**		1,235	
Debtors	*11*	**6,869**		5,491	
Cash at bank and in hand	*12*	**18,838**		10,550	
		26,798		17,276	
Creditors: amounts falling due within one year	*13*	**(3,922)**		(3,012)	
Net current assets			**22,876**		14,264
Total assets less current liabilities			**23,834**		15,029
Net assets			**23,834**		15,029
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium account			**1,899**		1,899
Other reserves			**7**		7
Profit and loss account			**21,928**		13,123
Shareholders' funds			**22,834**		15,029

These financial statements were approved by the board of directors on 21 August 2017 and were signed on its behalf by:

Mr J S Bratt
CEO

Company registered number: 03854291

The notes on pages 15 to 27 form part of these financial statements.

Company Balance Sheet
at 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Investments	*9*		**90**		90
Current assets					
Debtors	*11*	**407**		670	
Cash at bank and in hand		**2,000**		673	
		2,407		1,343	
Creditors: amounts falling due within one year	*13*	**(61)**		(127)	
Net current assets			**2,346**		1,216
Total assets less current liabilities			**2,436**		1,306
Net assets			**2,436**		1,306
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium account			**1,899**		1,899
Other reserves			**-**		-
Profit and loss account			**537**		(593)
Shareholders' funds			**2,436**		1,306

These financial statements were approved by the board of directors on 21 August 2017 and were signed on its behalf by:

Mr J S Bratt
CEO

Company registered number: 03854291

The notes on pages 15 to 27 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Other reserves £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2015	-	1,899	7	6,344	8,250
Total comprehensive income for the period					
Profit	-	-	-	6,633	6,633
Other comprehensive income	-	-	-	146	146
Total comprehensive income for the period	-	-	-	6,779	6,779
Balance at 31 December 2015	**-**	**1,899**	**7**	**13,123**	**15,029**

	Called up Share capital £000	Share Premium account £000	Other reserves £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2016	-	1,899	7	13,123	15,029
Total comprehensive income for the period					
Profit	-	-	-	11,062	11,062
Other comprehensive income	-	-	-	743	743
Total comprehensive income for the period	-	-	-	11,805	11,805
Transactions with owners recorded directly in equity					
Dividends	-	-	-	(3,000)	(3,000)
Total contributions by and distributions to owners	-	-	-	(3,000)	(3,000)
Balance at 31 December 2016	**-**	**1,899**	**7**	**21,928**	**23,834**

Company Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Other reserves £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2015	-	1,899	-	(1)	1,898
Total comprehensive income for the period					
Profit	-	-	-	(592)	(592)
Total comprehensive income for the period	-	-	-	(592)	(592)
Balance at 31 December 2015	**-**	**1,899**	**-**	**(593)**	**1,306**

	Called up Share capital £000	Share Premium account £000	Other reserves £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2016	-	1,899	-	(593)	1,306
Total comprehensive income for the period					
Profit	-	-	-	4,130	4,130
Total comprehensive income for the period	-	-	-	4,130	4,130
Transactions with owners recorded directly in equity					
Dividends	-	-	-	(3,000)	(3,000)
Total contributions by and distributions to owners	-	-	-	(3,000)	(3,000)
Balance at 31 December 2016	**-**	**1,899**	**-**	**537**	**2,436**

Consolidated Cash Flow Statement

for year ended 31 December 2016

	Note	**2016 £000**	2015 £000
Cash flows from operating activities			
Profit for the year		**11,062**	6,633
Adjustments for:			
Depreciation, amortisation and impairment	*8*	**227**	240
Interest receivable and similar income	*6*	**(8)**	(28)
Taxation	*7*	**2,051**	734
		13,332	7,579
Increase in trade and other debtors		**(1,044)**	(1,765)
(Increase)/decrease in stocks		**144**	(664)
Increase in trade and other creditors		**437**	516
		12,869	5,666
Tax paid		**(1,858)**	(1,107)
Net cash from operating activities		**11,011**	4,559
Cash flows from investing activities			
Interest received	*6*	**8**	28
Acquisition of tangible fixed assets		**(393)**	(197)
Acquisition of Minority Interest holding		**-**	(75)
Net cash from investing activities		**(385)**	(244)
Cash flows from financing activities			
Dividends paid		**(3,000)**	-
Net cash from financing activities		**(3,000)**	-
Net increase in cash and cash equivalents		**7,626**	4,315
Cash and cash equivalents at 1 January		**10,550**	6,099
Effect of exchange rate fluctuations on cash held		**662**	136
Cash and cash equivalents at 31 December	*12*	**18,838**	10,550

Notes
(forming part of the financial statements)

1 Accounting policies

Biocomposites (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK (England and Wales).

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have considered the profitability of the Group and its ability to generate cash. Profit and cash flow forecasts have been prepared for future periods, sensitised for reasonably possible changes in trading performance. Based on these projections, the directors are satisfied that, for the foreseeable future, the Group can meet its projected working capital requirements. The Group has operated profitably for the financial year and has significant cash on the balance sheet. Consequently, the financial statements have been prepared on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1 Accounting policies *(continued)*

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account. Foreign currency gains and losses are reported on a net basis.

The assets and liabilities of foreign operations, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

1.7 Basic financial instruments (continued)

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

1 Accounting policies *(continued)*

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- *leasehold properties* 10 years
- plant and machinery 10 years
- fixtures, fittings and equipment 5 years
- motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Research and development

Expenditure on research and development activities is recognised in the profit and loss account as an expense as incurred.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes (continued)

1 Accounting policies *(continued)*

1.13 Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Notes (continued)

2 Turnover

	2016 £000	2015 £000
Sale of goods	**39,206**	27,968
Delivery charges	**136**	131
Other Services	**28**	11
Total turnover	**39,370**	28,110

	£000	£000
By activity		
Sale of medical implants	**39,370**	28,110
	39,370	28,110
By geographical market		
United States of America	**33,627**	24,449
UK and Europe	**2,600**	1,262
Rest of the World	**3,143**	2,399
	39,370	28,110

3 Expenses and auditor's remuneration

Included in profit are the following:

	2016 £000	2015 £000
Research and development expensed as incurred	**1,128**	1,332

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**10**	8

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	**44**	40
Manufacturing	**28**	27
Sales and Marketing	**59**	50
	131	117

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**9,127**	7,230
Social security costs	**623**	536
Contributions to defined contribution plans	**241**	212
	9,991	7,978

5 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	**628**	589
Company contributions to money purchase pension plans	**44**	43

The aggregate of remuneration of the highest paid director was £173,000 *(2015: £157,000)*, and company pension contributions of £14,000 *(2015: £14,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**4**	4

6 Interest receivable and similar income

	2016	2015
	£000	£000
Bank interest	**8**	28
Total interest receivable and similar income	**8**	28

Notes (continued)

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	**2016 £000**	2015 £000	2015 £000
Current tax				
Current tax on income for the period		**2,407**		1,147
Adjustments in respect of prior periods		**(34)**		(10)
Total current tax		**2,373**		1,137
Deferred tax (see note 14)				
Origination and reversal of timing differences	**(502)**		(394)	
Change in tax rate	**180**		(9)	
Total deferred tax		**(322)**		(403)
Total tax		**2,051**		734

	£000 Current tax	**2016 £000 Deferred tax**	**£000 Total tax**	£000 Current tax	2015 £000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	**2,373**	**(322)**	**2,051**	1,137	(403)	734
Total tax	**2,373**	**(322)**	**2,051**	1,137	(403)	734

Analysis of current tax recognised in profit and loss

	2016 £000	2015 £000
UK corporation tax	**1,519**	585
Foreign tax	**854**	552
Total current tax recognised in profit and loss	**2,373**	1,137

Notes (continued)

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	**11,062**	6,633
Total tax expense	**2,051**	734
Profit excluding taxation	**13,113**	7,367
Tax using the UK corporation tax rate of 20.0% *(2015: 21.25%)*	**2,623**	1,492
Effect of tax rates in foreign jurisdictions	**281**	226
Differences in tax rates on deferred tax balances	**162**	(9)
Non-deductible expenses	**116**	118
Additional deduction for R&D and Patent Box	**(1,155)**	(965)
Adjustment to Corporation Tax in respect of prior years	**(34)**	(10)
Other timing differences	**58**	(118)
Total tax expense included in profit or loss	**2,051**	734

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

8 Tangible fixed assets

Group	**Land and buildings £000**	**Plant and Machinery £000**	**Fixtures, fittings and equipment £000**	**Motor vehicles £000**	**Total £000**
Cost					
Balance at 1 January 2016	399	1,174	481	12	2,066
Additions	52	294	47	-	393
Effect of movements in foreign exchange	40	49	-	-	89
Balance at 31 December 2016	491	1,517	528	12	2,548
Depreciation and impairment					
Balance at 1 January 2016	245	708	342	6	1,301
Depreciation charge for the year	46	118	60	3	227
Effect of movements in foreign exchange	32	30	-	-	62
Balance at 31 December 2016	323	856	402	9	1,590
Net book value					
At 1 January 2016	154	466	139	6	765
At 31 December 2016	**168**	**661**	**126**	**3**	**958**

Notes (continued)

9 Fixed asset investments

Company	Shares in group undertakings £000	Total £000
Cost		
At beginning and end of year	**90**	**90**

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

	Country of Incorporation	Address	Principal activity	Shares held and Class (2016 and 2015)
Subsidiary undertakings				
Biocomposites Limited	United Kingdom	Keele Science Park, Keele, Staffordshire, England, ST5 5NL	Manufacture of medical implants	Ordinary 100%
Biocomposites Inc	United States of America	700 Military Cutoff Road, Suite 320, Wilmington, NC 28405	Sale and marketing of medical implants	Common Stock 100%
Biocomposites Shanghai	China	Unit 704 Greentech Tower, No 436 Heng Feng Road, Shanghai 200070	Sale and marketing of medical implants	Ordinary 100%

10 Stocks

	2016 £000	2015 £000
Group		
Raw materials and consumables	**398**	245
Work in progress	**74**	199
Finished goods	**620**	791
	1,091	1,235

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £2,497,000 *(2015: £581,000)*.

11 Debtors

	Group 2016 £000	2015 £000	**Company 2016 £000**	2015 £000
Trade debtors	**4,991**	3,945	**-**	-
Amounts owed by group undertakings	**-**	-	**397**	597
Other debtors	**116**	212	**10**	73
Deferred tax assets *(see note 14)*	**905**	571	**-**	-
Prepayments and accrued income	**857**	763	**-**	-
	6,869	5,491	**407**	670
Due within one year	**6,862**	5,485	**407**	670
Due after more than one year	**7**	6	**-**	-
	6,869	5,491	**407**	670

Notes (continued)

12 Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**18,838**	10,550
Cash and cash equivalents per cash flow statement	**18,838**	10,550

13 Creditors: amounts falling due within one year

	Group		**Company**	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Trade creditors	**1,301**	1,165	**16**	-
Taxation and social security	**725**	245	**45**	-
Other creditors	**257**	73	**-**	-
Accruals and deferred income	**1,639**	1,529	**-**	127
	3,922	3,012	**61**	127

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Fixed asset timing differences	**-**	(5)	**120**	84	**120**	79
Other	**(1,076)**	(772)	**51**	122	**(1,025)**	(650)
Tax (assets) / liabilities	**(1,076)**	(777)	**171**	206	**(905)**	(571)

Notes (continued)

15 Employee benefits

Defined contribution plans

Group

The Group operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £241,000 *(2015: £212,000)*

Share based payments

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	**£800**	**1,732**	£800	1,732
Outstanding at the end of the year	**£800**	**1,732**	£800	1,732
Exercisable at the end of the year		**-**		-

No liability is recognised in the accounts in respect of the share options granted to date. Under the terms of these options, the Board retains the right to determine whether the conditions for exercise have been satisfied and no obligation has been identified at the date of these accounts. The conditions are monitored by the Board and a liability would be recognised where these conditions are likely to arise. The maximum vesting period for each option is ten years with between five and eight years remaining on the options in issue at the balance sheet date.

Immediately prior to the change in ownership event on 31 May 2017 (see note 21) the outstanding share options vested in full.

16 Capital and reserves

Share capital

	2016 £000	2015 £000
Authorised		
22,500,000 ordinary shares of £0.01 each	**225**	225
Allotted, called up and fully paid		
32,386 ordinary shares of £0.01 each	**-**	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

On 19 May 2016 a dividend of £4,000,000 was paid by Biocomposites Limited to Biocomposites (UK) Limited, resulting in Biocomposites (UK) Limited having sufficient distributable reserves to pay total dividends on the same day of £3,000,000 equivalent to £92.63 per qualifying ordinary share.

Notes (continued)

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**809**	663	-	-
Between one and five years	**405**	219	-	-
More than five years	-	-	-	-
	1,214	882	-	-

During the year £835,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £774,000)*.

18 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £54,000 *(2015: £46,000)*.

19 Related parties

Group

Transactions with key management personnel

Total compensation of key management personnel (the directors) in the year amounted to £672,000 (*2015: £632,000*).

Company

Other related party transactions

The exemption has been taken regarding the disclosure of transactions with wholly owned members of the Biocomposites Group.

Prior to 31 May 2017 the Company was controlled by the directors by virtue of their shareholdings in the parent company.

Mr H B Bratt was a shareholder of the company until this date. He received fees of £6,000 (*2015: £8,000)* in the year for consultancy services provided at board meetings. These are included within the payroll analysis in these accounts.

20 Ultimate parent company and parent of larger group

The Company is a wholly owned subsidiary undertaking of Matrix TopCo Limited which is the ultimate parent company. Matrix TopCo Limited is registered in England and Wales at Keele Science Park, Keele, Staffordshire, ST5 5NL.

The Company is deemed to be controlled by TA Associates (UK) LLP by virtue of its control of shareholdings of that company's share capital.

The largest group in which the 2015 and 2016 results of the Company are consolidated is that headed by Biocomposites (UK) Limited. No other group financial statements include the results of the Company for those years. The consolidated financial statements of the group are available to the public and may be obtained from Biocomposites (UK) Limited, Keele Science Park, Keele, Staffordshire, ST5 5NL.

Notes (continued)

21 Post Balance Sheet Events

On 31 May 2017 the entire issued share capital of the company, including the share options which vested on that date, was acquired by Matrix BidCo Limited. The ultimate holding company of Matrix BidCo Limited is Matrix TopCo Limited which is controlled by TA Associates (UK) LLP.