

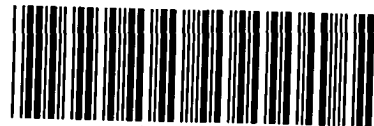
Registration number: 05361640

Vacgen Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

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Vacgen Limited

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Vacgen Limited

Company Information

Directors	P J Williamson
	C P L Zando
	A Farrant
Company secretary	Goodwille Limited
Registered office	Goodwille Limited
	St James House
	13 Kensington Square
	London W8 5HD
Auditors	BDO LLP
	31 Chertsey Street
	Guildford
	GU1 4HD

Vacgen Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report, together with the audited financial statements for the year ended 31 December 2018.

Principal activity

The company is a world leader in the manufacture of Ultra High Vacuum (UHV) components, manipulation and sample handling systems, used in scientific research and high-end industrial processes. There are two primary revenue streams:

Core Business

UHV componentry and chambers sold to a wide customer base of end users and OEM manufacturers. These products tend to be standard items or bespoke variations, with a fairly stable volume over the years.

Chemical Valves

A specific product range manufactured exclusively to support the energy generation industry, where volumes may be seasonal reflecting the underlying buyer industry demands. This is a high margin revenue stream, with a high barrier to entry for competitors.

Important matters and significant events

Vacgen Limited was acquired by Agathos LLP in April 2018. Agathos is a London-based firm specialising in investing in UK businesses with turnover of up to £100m.

Fair review of the business

Turnover increased by 11% on 2017, driven by a shift in focus towards core business. This has been driven by actively developing new markets and growing existing ones as part of the five-year strategic plan.

The company's key financial and other performance indicators during the year were as follows:

Gross profit has fallen by £580,498 on 2017, though this is adversely impacted by the result of a comprehensive third-party stock count and update to the stock obsolescence policy. The impact of this project was to write-down the carrying value of stock by £1,156,589. Adjusting cost of sales for this write-down would yield a gross profit improvement of £576,091 on 2017 and reflect a 4% increase in gross profit on the prior year to 46%.

Other operating income in the year of £6,976,270 reflects the waiving of intercompany loans to the former parent company, Scientia Scientific AB, prior to the sale to Agathos LLP.

Profit before tax of £5,650,119 is driven by other operating income in the period. Restating profit before tax to exclude both other operating income and the adverse impact of the stock write-down would yield a loss in the year of £169,562. Adjusting the 2017 loss for exceptional items would yield a loss in the prior year of £926,512. The improved year-on-year result reflects how the company is now reaping the benefits of having moved into a purpose-built, state-of-the-art production facility in Q4 2016.

Vacgen Limited

Strategic Report for the Year Ended 31 December 2018

Principal risks and uncertainties

The principal risks and uncertainties identified and the controls established to mitigate them are as follows:

Employee Risk

The business has industry leading IP and while the knowledge is spread across its workforce it is highly reliant on a small number of employees, management incentive schemes reflect this, however loss is a risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company has adopted policies that are aimed at minimising such risks and require that credit terms are only granted to customers who pass our credit checks.

Price Risk

The company operates in global markets and faces competitive price pressure. It manages this risk by investing in process efficiency improvements, targeted cost reduction initiatives and outsourcing to low cost countries where appropriate. The company also continues to invest in Research and Development to introduce new and improved products to meet our customers' requirements.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages this risk by the use of a mixture of long term loans from group.

Cashflow Risk

Cashflow risk is the risk of exposure to variability in cashflows attributable to a particular risk associated with recognised asset or liability. The company has established both short and long-term cash forecasting processes to manage cashflows within the limits of the company's bank facilities and covenants. Furthermore, the parent company has pledged to provide ongoing financial support to the company.


Currency Risk

Currency risk is the risk that fluctuations in exchange rates will affect the company's profit and loss account, balance sheet and/or cash flow negatively. During the year, approximately 50% of the company's revenue was denominated in foreign currencies. The company may, from time to time, manage any significant exposure through hedging.

Brexit

The company safeguards against fluctuation in operational currency through invoicing in international currencies outside of the UK. This creates a natural hedge to safeguard against the volatility in exchange rates associated with Brexit. The company has also reviewed options to store goods for sale on the continent to mitigate against the risk to delivery times in the event of a hard Brexit.

Approved by the Board on ^{5 July 2019} and signed on its behalf by:



C P L Zando
Director

Vacgen Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

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

K J D Aman (resigned 19 April 2018)

P J Williamson (appointed 19 April 2018)

C P L Zando (appointed 19 April 2018)

A Farrant (appointed 19 April 2018)

Research and development

The company continues to invest in research and development to enhance its product offering whilst also developing skills and competencies to enter new markets.

Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. This is based on a detailed review of cashflow forecasts for at least 12 months from the date of signing these financial statements and support of ongoing commitment provided by the parent company.

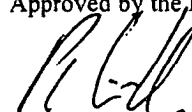
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Future Developments

The Company continues to develop sales channels in emerging markets, in addition to growing already captive markets.

Approved by the Board on ^{5 July 2019} and signed on its behalf by:



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C P L Zando
Director

Vacgen Limited

Statement of Directors' Responsibilities

The directors acknowledge they are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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; and
- 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.

Vacgen Limited

Independent Auditor's Report to the Members of Vacgen Limited

Opinion

We have audited the financial statements of Vacgen Limited (the 'Company') for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Vacgen Limited

Independent Auditor's Report to the Members of Vacgen Limited

Opinion on other matter 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Strategic Report and the Directors' Report.

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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Vacgen Limited

Independent Auditor's Report to the Members of Vacgen Limited

Use of our report

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.

BDO LLP

.....
Kevin Cook (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

31 Chertsey Street
Guildford
GU1 4HD

Date: 5 July 2019

BDO is a limited liability partnership registered in England and Wales (with registered number OC305127).

Vacgen Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	Total 31 December 2018 £	Total 31 December 2017 £
Turnover	3	7,862,845	7,086,497
Cost of sales		<u>(5,441,803)</u>	<u>(4,084,957)</u>
Gross profit		2,421,042	3,001,540
Administrative expenses (including exceptional expenses)	5	(3,735,945)	(5,013,330)
Other operating income	4	<u>7,075,001</u>	<u>-</u>
Operating profit/(loss)	5	<u>5,760,098</u>	<u>(2,011,790)</u>
Other interest receivable and similar income	6	59	211
Interest payable and similar expenses	7	<u>(115,886)</u>	<u>(250,192)</u>
		<u>(115,827)</u>	<u>(249,981)</u>
Profit/(loss) before tax		5,644,271	(2,261,771)
Taxation	10	<u>3,998</u>	<u>78,448</u>
Profit/(loss) for the financial year		<u><u>5,648,269</u></u>	<u><u>(2,183,323)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Vacgen Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

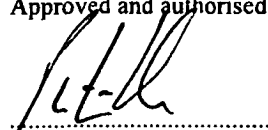
	Note	2018 £	2017 £
Profit/(loss) for the year		<u>5,648,269</u>	<u>(2,183,323)</u>
Total comprehensive profit/(loss) for the year		<u><u>5,648,269</u></u>	<u><u>(2,183,323)</u></u>

Vacgen Limited

(Registration number: 05361640)
Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	-	33,730
Tangible assets	12	953,209	1,153,059
Investments	13	737,396	737,396
		<u>1,690,605</u>	<u>1,924,185</u>
Current assets			
Stocks	14	2,300,806	2,990,540
Debtors	15	1,301,551	1,298,766
Cash at bank and in hand		281,002	83,210
		<u>3,883,359</u>	<u>4,372,516</u>
Creditors: Amounts falling due within one year	17	<u>(1,576,015)</u>	<u>(1,360,233)</u>
Net current assets		<u>2,307,344</u>	<u>3,012,283</u>
Total assets less current liabilities		<u>3,997,949</u>	<u>4,936,468</u>
Creditors: Amounts falling due after more than one year	17	(1,666,442)	(8,254,051)
Provisions for liabilities	18	<u>(58,000)</u>	<u>(57,179)</u>
Net assets/(liabilities)		<u>2,273,507</u>	<u>(3,374,762)</u>
Capital and reserves			
Called up share capital	20	1	1
Unconditional shareholders' contribution		1,970,848	1,970,848
Profit and loss account		<u>302,658</u>	<u>(5,345,611)</u>
Total assets/(liabilities)		<u>2,273,507</u>	<u>(3,374,762)</u>

Approved and authorised by the Board on 5/3/19 and signed on its behalf by:



C P L Zando
Director

The notes on pages 14 to 29 form an integral part of these financial statements.

Vacgen Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Unconditional shareholders' contribution £	Profit and loss account £	Total £
At 1 January 2018	1	1,970,848	(5,345,611)	(3,374,762)
Profit for the year	-	-	5,648,269	5,648,269
Total comprehensive income	-	-	5,648,269	5,648,269
At 31 December 2018	1	1,970,848	302,658	2,273,507
	Share capital £	Unconditional shareholders' contribution £	Profit and loss account £	Total £
At 1 January 2017	1	1,970,848	(3,162,288)	(1,191,439)
Loss for the year	-	-	(2,183,323)	(2,183,323)
Total comprehensive income	-	-	(2,183,323)	(2,183,323)
At 31 December 2017	1	1,970,848	(5,345,611)	(3,374,762)

The notes on pages 14 to 29 form an integral part of these financial statements.

Vacgen Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit/(loss) for the year		5,648,269	(2,183,323)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	264,275	381,758
Financial instrument net gains/(losses) through profit and loss		(54,060)	10,248
Profit on disposal of tangible assets		(6,772)	(200,062)
Finance income	6	(59)	(211)
Finance costs	7	115,886	250,192
Income tax expense	10	(3,998)	(78,448)
Impairment loss on Investment in subsidiaries		-	1,256,811
		<u>5,963,541</u>	<u>(563,035)</u>
Working capital adjustments			
Decrease/(increase) in stocks	14	689,734	(1,017,451)
(Increase)/decrease in debtors	15	(1,964)	453,784
(Decrease)/increase in creditors	17	(5,971,861)	3,787,304
Increase/(decrease) in provisions	18	821	(54,471)
		<u>680,271</u>	<u>2,606,131</u>
Cash generated from operations		680,271	2,606,131
Income taxes received	10	3,998	-
		<u>684,269</u>	<u>2,606,131</u>
Cash flows from investing activities			
Interest received	6	59	211
Acquisition of subsidiaries	13	-	(1,994,106)
Acquisitions of tangible assets		(30,695)	(1,150,150)
Proceeds from sale of tangible assets		6,772	2,130,432
		<u>(23,864)</u>	<u>(1,013,613)</u>
Net cash flows from investing activities		(23,864)	(1,013,613)
Cash flows from financing activities			
Interest paid	7	(115,886)	(250,192)
Repayment of bank borrowing		-	(335,695)
Receipts from finance lease debtors		220,000	298,170
Payments to finance lease creditors		(278,936)	(49,084)
		<u>(174,822)</u>	<u>(336,801)</u>
Net cash flows from financing activities		(174,822)	(336,801)
Net increase in cash and cash equivalents		485,583	1,255,717
Cash and cash equivalents at 1 January		(258,641)	(1,504,109)
Effect of exchange rate fluctuations on cash held		54,060	(10,249)
		<u>281,002</u>	<u>(258,641)</u>
Cash and cash equivalents at 31 December		<u>281,002</u>	<u>(258,641)</u>

The notes on pages 14 to 29 form an integral part of these financial statements.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

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

The address of its registered office is:

Goodwill Limited
St James House
13 Kensington Square
London
W8 5HD

The principal place of business is:

Unit A, Swallow Business Park
Diamond Drive
Lower Dicker
Hailsham
BN27 4EL

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The Directors have reviewed the forecasts for at least 12 months from the date of signing and considered these in conjunction with financing in place both externally and that provided by the parent company. Based on this review and the support provided by the parent company, the Directors considers that it is appropriate that the financial statements be prepared on a going concern basis.

Exemption from preparing group accounts

The financial statements contain information about Vacgen Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 399 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is subject to the small companies regime.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns and discounts and after eliminating sales within the Company.

The Company recognises revenue when:

- The amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity;
- and specific criteria have been met for each of the Company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the HMRC spot rate at the dates of the transactions, or at an HMRC average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Company provided for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures. Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold property	30 years
Furniture, fittings and equipment	3-10 years
Other property, plant and equipment	3-10 years

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10 years

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised at the transaction price.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The company uses estimation techniques when calculating its warranty provision in the financial statements. Historical data on warranty claims and management judgement are used to arrive at an appropriate percentage of sales value to provide against future warranty claims. The company's standard warranty term is 12 months but this is extended to 24 months on certain categories of products or for products supplied into certain specific countries. The appropriateness of the estimation of the warranty provision is reviewed annually.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Company recognises annual rental expense equal to amounts owed to the lessor.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as an employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Intercompany balances

Balances between group companies which reflect trading and funding activity are charged interest at a rate of 5%.

Judgements

In preparing these financial statements, the directors have made the following judgements:

Determination of whether leases entered into by the Company as a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determination of whether there are indicators of impairment of the Company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. An impairment review of the carrying value of investments is also undertaken periodically.

Key sources of estimation uncertainty

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The Company provided for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures. Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2018 £	2017 £
Sale of goods	<u>7,862,845</u>	<u>7,086,497</u>

The analysis of the company's turnover for the year by market is as follows:

	2018 £	2017 £
UK	517,709	2,057,850
Europe	4,211,440	2,511,886
Rest of world	<u>3,133,696</u>	<u>2,516,761</u>
	<u>7,862,845</u>	<u>7,086,497</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018 £	2017 £
Miscellaneous other operating income	<u>7,075,001</u>	<u>-</u>

Within other operating income; £6,976,270 reflects the waiving of intercompany loans to the former parent company, Scienta Scientific AB, prior to the sale to Agathos LLP.

5 Operating profit

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation expense	230,545	377,054
Amortisation expense	33,730	4,704
Research and development cost	62,035	883
Foreign exchange (gains)/losses	54,060	(10,248)
Operating lease expense - plant and machinery	13,082	13,502
Profit on disposal of property, plant and equipment	<u>(6,772)</u>	<u>(200,062)</u>

Exceptional item

In the current year, an exceptional item of £30,000 (2017 - £1,343,402) has been included in Administrative expenses which relates to a combination of items as follows:

1. Redundancy costs of £30,000 (2017 - £86,591)
2. Impairment on the carrying value of the investment of £nil (2017 - £1,256,811)

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

6 Other interest receivable and similar income

	2018 £	2017 £
Other finance income	59	211

7 Interest payable and similar charges

	2018 £	2017 £
Interest on obligations under finance leases and hire purchase contracts	18,109	2,712
Other loan interest	-	13,966
Other interest payable	17,798	29,473
Interest payable to group undertakings	79,979	204,041
	<u>115,886</u>	<u>250,192</u>

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	2,380,820	2,789,173
Social security costs	798,860	328,225
Pension costs, defined contribution scheme	194,842	125,130
Redundancy costs	30,000	86,591
Other employee expense	141	7,457
	<u>3,404,663</u>	<u>3,336,576</u>

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

	2018 No.	2017 No.
Production	49	33
Administration and support	8	19
Research and development	5	8
Sales, marketing and distribution	6	6
	<u>68</u>	<u>66</u>

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Auditors' remuneration

	2018 £	2017 £
Audit of the financial statements	<u>32,413</u>	<u>30,650</u>
Other fees to auditors		
Taxation compliance services	7,751	5,853
All other assurance services	<u>15,396</u>	<u>-</u>
	<u>23,147</u>	<u>5,853</u>

10 Taxation

Tax charged/(credited) in the income statement

	2018 £	2017 £
Current taxation		
UK corporation tax	(3,998)	-
Deferred taxation		
Arising from origination and reversal of timing differences	<u>-</u>	<u>(78,448)</u>
Tax receipt in the income statement	<u>(3,998)</u>	<u>(78,448)</u>

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Continued...

The tax on loss before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Profit/(loss) before tax	<u>5,644,271</u>	<u>(2,261,771)</u>
Corporation tax at standard rate	1,072,412	(435,391)
Effect of revenues exempt from taxation	(1,372,396)	(225)
Effect of expense not deductible in determining taxable profit (tax loss)	7,114	242,896
Deferred tax expense from unrecognised tax loss or credit	258,212	110,091
Tax increase/(decrease) from effect of capital allowances and depreciation	4,280	(22,446)
Tax increase from effect of adjustment in research and development tax credit	30,378	24,938
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(3,998)</u>	<u>1,689</u>
Total tax credit	<u>(3,998)</u>	<u>(78,448)</u>
Deferred tax		
Deferred tax assets and liabilities		
2018		Asset £
Tax losses		<u>469,665</u>
2017		Asset £
Tax losses		<u>469,665</u>

There are £258,212 of unused tax losses (2017 - £454,986) for which no deferred tax asset is recognised in the Balance Sheet.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Intangible assets

	Goodwill £	Total £
Cost or valuation		
At 1 January 2018	94,093	94,093
At 31 December 2018	94,093	94,093
Amortisation		
At 1 January 2018	60,363	60,363
Amortisation charge	33,730	33,730
At 31 December 2018	94,093	94,093
Carrying amount		
At 31 December 2018	-	-
At 31 December 2017	33,730	33,730

12 Tangible assets

	Leasehold property £	Furniture, fittings and equipment £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 January 2018	40,520	1,671,151	1,018,680	2,730,351
Additions	-	-	30,695	30,695
At 31 December 2018	40,520	1,671,151	1,049,375	2,761,046
Depreciation				
At 1 January 2018	2,728	1,109,587	464,976	1,577,291
Charge for the year	2,702	83,028	144,816	230,546
At 31 December 2018	5,430	1,192,615	609,792	1,807,837
Carrying amount				
At 31 December 2018	35,090	478,536	439,583	953,209
At 31 December 2017	37,792	561,563	553,704	1,153,059

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Continued....

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2018 £	2017 £
Plant and equipment	<u>265,040</u>	<u>298,170</u>

13 Investments in subsidiaries, joint ventures and associates

	2018 £	2017 £
Investments in subsidiaries	<u>737,396</u>	<u>737,396</u>
Subsidiaries		£
Cost or valuation		
At 1 January 2018		<u>737,396</u>
Provision		
Carrying amount		
At 31 December 2018		<u>737,396</u>
At 31 December 2017		<u>737,396</u>

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Vacgen Inc	USA	Ordinary	100%	100%
Vacgen UHV Ltd		Ordinary	100%	100%
	England and Wales			

The principal activity of Vacgen Inc is Sales and distribution.

The principal activity of Vacgen UHV Ltd is Manufacturing and light engineering of component parts for scientific equipment.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Stocks

	2018 £	2017 £
Raw materials and consumables	1,460,651	2,122,434
Work in progress	453,212	437,104
Finished goods and goods for resale	386,943	431,002
	<u>2,300,806</u>	<u>2,990,540</u>

The cost of stocks recognised as an expense in the year amounted to £3,505,044 (2017 - £2,988,667).

15 Debtors

	Note	2018 £	2017 £
Trade debtors		661,342	544,515
Inter company loan - VG Scienta AB		-	127,856
Other debtors		62,814	84,006
Prepayments		106,909	72,724
Deferred tax assets	10	<u>470,486</u>	<u>469,665</u>
Total current trade and other debtors		<u>1,301,551</u>	<u>1,298,766</u>

Details of non-current trade and other debtors

£Nil (2017 -£Nil) of Deferred tax assets is classified as non current.

16 Cash and cash equivalents

	2018 £	2017 £
Cash on hand	943	1,772
Cash at bank	<u>280,059</u>	<u>81,438</u>
	281,002	83,210
Bank overdrafts	<u>-</u>	<u>(341,851)</u>
Cash and cash equivalents in statement of cash flows	<u>281,002</u>	<u>(258,641)</u>

The bank overdraft in 2017 was secured by a debenture and an unlimited guarantee between VG Scienta Holding AB and Vacgen Limited. In 2018 the bank overdraft was removed after the sale to Agathos Fund One LP.

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

17 Creditors

	Note	2018 £	2017 £
Due within one year			
Bank overdrafts	21	-	341,851
Finance lease liabilities	21	37,834	55,739
Trade creditors		643,776	627,058
Social security and other taxes		77,308	61,717
Other payables		169,008	57,753
Accrued expenses		648,089	216,115
		<u>1,576,015</u>	<u>1,360,233</u>
Due after one year			
Finance lease liabilities	21	161,775	201,985
Inter company loan - Vacgen Inc		230,369	639,531
Group loan - Vacgen UHV Ltd		686,298	672,783
Group loan - Agathos		588,000	-
Group loan - Scientia Scientific AB		-	4,745,646
Group loan - GMBH		-	1,994,106
		<u>1,666,442</u>	<u>8,254,051</u>

For details on security related to loans and borrowings, please refer to note 21.

18 Other provisions

	Warranties £	Total £
At 1 January 2018	57,179	57,179
Increase (decrease) from transfers and other changes	821	821
At 31 December 2018	<u>58,000</u>	<u>58,000</u>

Warranty provision:

The company provides for the estimated warranty costs, based on experience with similar products, in relation to the contracted commitments regarding sales in the year. These commitments range from 12 to 24 months dependent upon the type of product.

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £194,841 (2017 - £125,129).

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

20 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

21 Loans and borrowings

	2018 £	2017 £
Non-current loans and borrowings		
Finance lease liabilities	<u>161,775</u>	<u>201,985</u>

	2018 £	2017 £
Current loans and borrowings		
Bank overdrafts	-	341,851
Finance lease liabilities	<u>37,834</u>	<u>55,739</u>
	<u>37,834</u>	<u>397,590</u>

22 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	37,834	55,739
Later than one year and not later than five years	<u>161,775</u>	<u>201,985</u>
	<u>199,609</u>	<u>257,724</u>

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Continued...

Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	273,235	273,235
Later than one year and not later than five years	1,092,941	1,092,941
Later than five years	<u>2,459,117</u>	<u>2,732,352</u>
	<u>3,825,293</u>	<u>4,098,528</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £287,919 (2017 - £276,344).

23 Related party transactions

Key management compensation

	2018 £	2017 £
Salaries and other short term employee benefits	<u>391,641</u>	<u>211,980</u>

Loans to related parties

2018	Parent £
At start of period	<u>127,856</u>
2017	Parent £
At start of period	17,538
Advanced	<u>110,318</u>
At end of period	<u>127,856</u>

Loans from related parties

2018	Subsidiary £
At start of period	<u>8,052,067</u>
2017	Subsidiary £
At start of period	3,779,575
Advanced	<u>4,272,492</u>
At end of period	<u>8,052,067</u>

Vacgen Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 Parent and ultimate parent undertaking

The company's immediate parent is VACGEN Holdings Ltd, incorporated in England and Wales.

The ultimate parent is Agathos Fund One LP, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Vacgen Holdings Ltd. These financial statements are available upon request from Goodwille Limited, St James House, 13 Kensington Square, London, W8 5HD.