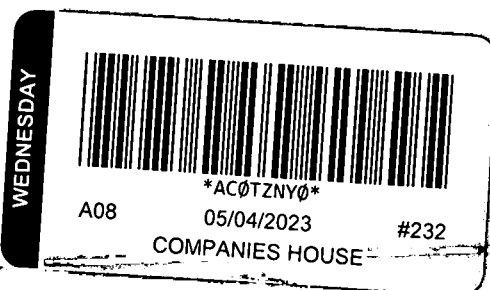


Registered number: 05361640

VACGEN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



VACGEN LIMITED

COMPANY INFORMATION

Directors	C P Lacalle Zando C H B Oakshett P J Williamson
Company secretary	MBM Secretarial Services Limited
Registered number	05361640
Registered office	Unit A Swallow Enterprise Park Diamond Drive Lower Dicker Hailsham BN27 4EL
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditor 4th Floor Cumberland House 15-17 Cumberland Place Southampton SO15 2BG

VACGEN LIMITED

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VACGEN LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their Strategic Report, together with the audited financial statements for the year ended 31 December 2022.

Principal activity

Vacgen Limited ("Vacgen") is a global name in the design and manufacture of Ultra High Vacuum (UHV) components, manipulators and sample handling systems used in scientific research and high-end industrial processes in semiconductor, nuclear energy and other sectors. UHV componentry and chambers are sold to a wide customer base of end users and OEM manufacturers as both standard items or bespoke variations.

Vacgen was founded in 1964 and has established a highly knowledgeable and experienced team at its UK design and manufacture facility.

Business review

The financial year to 31 December 2022 has seen significant improvement on the prior period, with the Company seeing a revenue increase of 75.2%.

In addition to the revenue growth, the result for the year of £2,726k was driven by a gross margin of 51.0% (up from 33.7% in the prior year) as the business has been able to recognise economies of scale through series production of high margin product ranges.

Adjusted EBITDA, being earnings before interest, tax, depreciation, amortisation, management fees, exceptional costs and foreign currency movements, is a key performance metric of the Company, which increased from £876k to £4,378k as a result of margin growth and cost improvements.

Order intake in 2022 was 27.6% higher than in 2021. The demand is driven by the requirements of key customers, particularly in the semiconductor, scientific research and nuclear industries.

Pleasingly there was a net cash generation from operations in the year, allowing the Company to make significant investment in new capital equipment to support the growing order book as well as repaying a portion of the shareholder loan.

The Company continued to invest in product development through the year, including new and improved designs in its core product ranges. The Company benefits from the Research & Development (R&D) tax credit scheme.

Principal risks and uncertainties

The directors carefully appraise credit risk before projects are undertaken, with policies in place to minimise risk by granting credit terms only to customers who pass credit checks.

Suppliers have appropriate credit terms and creditor days outstanding are reported and monitored on a regular basis.

With respect to currency exposure, the Company operates from a manufacturing facility in the UK, with exports accounting for approximately 97% of turnover. The Company may, from time to time, manage any significant exposure through hedging.

The directors regularly monitor short-term working capital needs and liquidity risks at project and Company level to ensure the risk is well managed. Additionally, the Company has the support of a strong principal equity investor.

VACGEN LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

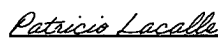
Management use key performance indicators (KPIs) to monitor the generation of shareholder value. Of these, the principal indicators for 2022 are shown below.

	2022 £000	2021 £000
Order intake	15,819	12,393
Revenue	13,004	7,424
Gross profit	6,632	2,504
Adjusted EBITDA	4,378	876

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. The Company has made a Research and Development tax credit scheme for the year ended 31 December 2022.

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


Patricio Lacalle (Mar 31, 2023 14:40 GMT+1)

C P Lacalle Zando
Director

Date: 31/03/2023

VACGEN LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £2,726,788 (2021 - £2,633,985).

No dividends (2021 - £Nil) were paid or proposed in the year.

Directors

The directors who served during the year were:

C P Lacalle Zando
C H B Oakshett
P J Williamson

Future developments

The Company continues to invest in R&D to enhance its product offering whilst also developing skills and competencies to enter new markets. The Company has made a Research product development tax credit scheme claim accordingly for the year.

Matters covered in the Strategic Report

Where necessary, disclosures relating to principal risks & uncertainties have been made in the Strategic Report and have not been repeated here in accordance with Section 414C of the Companies Act 2006.

Disclosure of information to auditor

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

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

VACGEN LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Patricio Lacalle
Patricio Lacalle (Mar 31, 2023 14:40 GMT+1)

C P Lacalle Zando
Director

Date: 31/03/2023

VACGEN LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 to 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.

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

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 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

VACGEN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VACGEN LIMITED

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 in relation to which 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 determine 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.

VACGEN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VACGEN LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained a general understanding of the Company's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Company's industry and regulation.

We understand that the Company complies with the framework through:

- Outsourcing accounts preparation and tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Company's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Stock provision and bad debt provision, as these are estimates made by management.
- Manipulation of the financial statements, especially revenue, via fraudulent journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion. The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in the estimates identified above, and comparison to market data and post-year-end data as appropriate.
- Substantive work on material areas affecting profits.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and those posted at unusual times.

A further description of our responsibilities is available 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.

Andrew Edmonds

Andrew Edmonds (Mar 31, 2023 14:48 GMT+1)

Andrew Edmonds (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants

Statutory Auditor

4th Floor Cumberland House

15-17 Cumberland Place

Southampton

SO15 2BG

Date: 31/03/2023

VACGEN LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	13,004,068	7,424,300
Cost of sales		(6,371,626)	(4,920,544)
Gross profit		6,632,442	2,503,756
Administrative expenses		(3,031,543)	(1,993,412)
Operating profit	5	3,600,899	510,344
Fair value movements on foreign exchange contracts		(20,628)	-
Interest receivable and similar income		972	-
Interest payable and similar expenses	10	(12,237)	(21,143)
Profit before tax		3,569,006	489,201
Tax on profit	11	(842,218)	2,144,784
Profit for the financial year		2,726,788	2,633,985

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 14 to 32 form part of these financial statements.

VACGEN LIMITED
REGISTERED NUMBER:05361640

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	1,506,562	1,048,043
Investments	13	737,395	737,395
		<u>2,243,957</u>	<u>1,785,438</u>
Current assets			
Stocks	14	3,059,225	2,283,891
Debtors: amounts falling due within one year	15	4,581,991	3,356,191
Cash at bank and in hand		631,615	817,570
		<u>8,272,831</u>	<u>6,457,652</u>
Creditors: amounts falling due within one year	16	(4,328,759)	(4,691,585)
Net current assets		<u>3,944,072</u>	<u>1,766,067</u>
Total assets less current liabilities		<u>6,188,029</u>	<u>3,551,505</u>
Creditors: amounts falling due after more than one year	17	(11,726)	(78,727)
Provisions for liabilities			
Provisions for liabilities	21	(382,104)	(405,367)
Net assets		<u><u>5,794,199</u></u>	<u><u>3,067,411</u></u>
Capital and reserves			
Called up share capital	22	1	1
Shareholders' capital contribution	23	8,947,118	8,947,118
Profit and loss account	23	(3,152,920)	(5,879,708)
Shareholders' funds		<u><u>5,794,199</u></u>	<u><u>3,067,411</u></u>

VACGEN LIMITED
REGISTERED NUMBER:05361640

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Patricio Lacalle
Patricio Lacalle (Mar 31, 2023 14:40 GMT+1)

C P Lacalle Zando
Director

Date: 31/03/2023

The notes on pages 14 to 32 form part of these financial statements.

VACGEN LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Shareholders' capital contribution £	Profit and loss account £	Total equity £
At 1 January 2021	1	8,947,118	(8,513,693)	433,426
Comprehensive income for the year				
Profit for the year	-	-	2,633,985	2,633,985
At 1 January 2022	1	8,947,118	(5,879,708)	3,067,411
Comprehensive income for the year				
Profit for the year	-	-	2,726,788	2,726,788
At 31 December 2022	1	8,947,118	(3,152,920)	5,794,199

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Vacgen Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 05361640). The registered office address is Unit A Swallow Enterprise Park, Diamond Drive, Lower Dicker, Hailsham, BN27 4EL.

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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Vacgen Holdings Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Going concern

The directors have made an assessment in preparing these financial statements as to whether the Company and Group are a going concern and have concluded that there are no material uncertainties that may cast doubt on the Company's and Group's ability to continue as a going concern.

In performing the going concern assessment, management has reviewed the financial forecast of the Company for the period covering the 12 months from the date of signing of these accounts. At 31 December 2022, the Company has reported profit after tax of £2,726,788 (2021 - £2,633,985) and a net asset position of £5,794,199 (2021 - £3,067,411) and is well-placed to continue to deliver a profitable performance and maintain liquidity throughout the forecast period. Management considers that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not contain adjustments that would result if the business were not a going concern.

2.5 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 profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover 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 turnover 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.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss 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.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.10 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.

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.

Depreciation is provided on the following basis:

Leasehold property	- 15 years
Other property, plant and equipment	- 3-10 years
Plant and machinery	- 3-10 years

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use and are reviewed for impairment at each reporting date.

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 profit or loss.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 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 first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting 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.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.13 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 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.

Warranties

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.

Dilapidations

The Company applies a value per the square footage of the leased premises for its dilapidation policy, to make good dilapidations at the end of the lease. The appropriateness of the estimation is reviewed annually for realised changes and against industry standards.

2.15 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.16 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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 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 assets. 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.

Other key sources of estimation uncertainty:

- *Tangible fixed assets (see note 12)*
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.
- *Bad debt provision*
The Company provides for any bad debt where the probability of recovery is reduced. This is reviewed against customer ageing profile and debt as a percentage of sales.
- *Stock provision*
At each reporting date, stocks are assessed for impairment. The impairment is recognised immediately in profit or loss. The stock is assessed for obsolescence, quality and consumption over a rolling 12-month period, and impairment calculated at 100% of carrying value over 24 months and 50% of carrying value between 12 and 24 months.
- *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 are for a period of 3 years. Accordingly, the Company has recognised a warranty provision as at 31 December 2022 of £66,000 (2021 - £118,000).
- *Dilapidations*
The Company has leased property and one of the clauses in these leases obliges the Company to return the property in the same condition as when the lease was taken out. As there is no certainty over the final costs to bring the property back to this condition, the Company prepares estimates at each reporting date based on alterations and decorations per square foot and is reviewed annually. At 31 December 2022, the Company has recognised a dilapidations provision of £316,104 (2021 - £287,367).

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Turnover

The turnover is wholly attributable to the one principal activity of the Company.

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	439,570	1,085,937
Rest of Europe	2,380,820	2,889,048
Rest of the world	10,183,678	3,449,315
	<u>13,004,068</u>	<u>7,424,300</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Research & development cost	146,479	125,563
Exchange differences	423,623	9,221
Operating lease expense - plant and machinery	4,731	8,564
Operating lease expense - land and buildings	293,146	269,555
Profit on sale of tangible fixed assets	(34,500)	(7,000)
	<u></u>	<u></u>

6. Auditor's remuneration

The audit fees are borne by the parent company, Vacgen Holdings Limited, and are disclosed in their financial statements.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	3,287,708	3,207,748
Social security costs	300,098	294,264
Cost of defined contribution scheme	167,974	15,998
	<u>3,755,780</u>	<u>3,518,010</u>

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

	2022 No.	2021 No.
Production	54	46
Administration and support	6	6
Research and development	6	6
Sales, marketing and distribution	5	4
	<u>71</u>	<u>62</u>

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	596,684	322,441
Company contributions to defined contribution pension schemes	16,810	16,320
	<u>613,494</u>	<u>338,761</u>

The highest paid director received remuneration of £584,684 (2021 - £310,441).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,810 (2021 - £16,320).

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	972	-

10. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	-	553
Finance leases and hire purchase contracts	12,237	20,590
	<u>12,237</u>	<u>21,143</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	(42,368)	(34,604)
Total current tax	<u>(42,368)</u>	<u>(34,604)</u>
Deferred tax		
Origination and reversal of timing differences	617,414	(2,110,180)
Adjustments in respect of prior periods	72,199	-
Effect of changes in tax rates	194,973	-
Total deferred tax	<u>884,586</u>	<u>(2,110,180)</u>
Taxation on profit on ordinary activities	<u>842,218</u>	<u>(2,144,784)</u>

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *lower than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	3,569,006	489,201
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	678,111	92,948
Effects of:		
Fixed asset differences	(21,865)	(16,368)
Expenses not deductible for tax purposes	215	17
Deferred tax recognised on losses	-	(1,649,320)
Additional deduction for R&D expenditure	(39,046)	(31,014)
Remeasurement of deferred tax for changes in tax rates	194,972	(506,443)
Adjustment to tax charge in respect of prior periods	(42,368)	(34,604)
Adjustment to tax charge in respect of prior periods - deferred tax	72,199	-
Total tax charge/(credit) for the year	842,218	(2,144,784)

Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above deferred tax balances.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets

	Leasehold property £	Other property, plant and equipment £	Plant and machinery £	Fixed assets under construction £	Total £
Cost					
At 1 January 2022	40,520	1,323,450	2,221,498	-	3,585,468
Additions	3,875	122,393	76,954	456,074	659,296
Disposals	-	-	(259,005)	-	(259,005)
At 31 December 2022	44,395	1,445,843	2,039,447	456,074	3,985,759
Depreciation					
At 1 January 2022	32,692	1,078,889	1,425,844	-	2,537,425
Charge for the year	2,927	65,622	132,228	-	200,777
Disposals	-	-	(259,005)	-	(259,005)
At 31 December 2022	35,619	1,144,511	1,299,067	-	2,479,197
Net book value					
At 31 December 2022	8,776	301,332	740,380	456,074	1,506,562
At 31 December 2021	7,828	244,561	795,654	-	1,048,043

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Other property, plant and equipment	65,833	147,833

Depreciation charged in the year on other property, plant and equipment held under finance leases or hire purchase contracts is £82,000 (2021 - £82,000).

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2022	737,395
At 31 December 2022	<u>737,395</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Vacgen UHV Ltd	Unit A Swallow Enterprise Park, Diamond Drive, Lower Dicker, Hailsham, BN27 4EL	Ordinary	100%

14. Stocks

	2022 £	2021 £
Raw materials and consumables	1,383,745	1,021,132
Work in progress	1,097,951	679,256
Finished goods and goods for resale	577,529	583,503
	<u>3,059,225</u>	<u>2,283,891</u>

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Debtors

	2022 £	2021 £
Trade debtors	2,288,376	957,393
Amounts owed by group undertakings	697,310	4,998
Other debtors	236,657	157,566
Prepayments and accrued income	134,054	126,054
Deferred taxation	1,225,594	2,110,180
	<u>4,581,991</u>	<u>3,356,191</u>

16. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	862,235	840,299
Amounts owed to group undertakings	2,249,827	3,259,487
Other taxation and social security	89,757	110,704
Obligations under finance lease and hire purchase contracts	67,001	91,355
Other creditors	214,142	510
Accruals and deferred income	825,169	389,230
Financial instruments	20,628	-
	<u>4,328,759</u>	<u>4,691,585</u>

17. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Net obligations under finance leases and hire purchase contracts	<u>11,726</u>	<u>78,727</u>

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	67,001	91,355
Between 1-5 years	11,726	78,727
	<u>78,727</u>	<u>170,082</u>

Finance leases made up of fixed assets, on average have an expected lease term of 5 years, which is line with the rate of which these fixed assets are being depreciated.

19. Financial instruments

	2022 £	2021 £
Financial liabilities		
Derivative financial instruments	<u>(20,628)</u>	<u>-</u>

Derivative financial instruments measured at fair value through profit or loss are held as part of a trading portfolio to mitigate against foreign exchange risk.

20. Deferred taxation

	2022 £	2021 £
At beginning of year	(2,110,180)	-
Charged to profit or loss	884,586	(2,110,180)
Deferred tax asset at end of year	<u>(1,225,594)</u>	<u>(2,110,180)</u>

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	139,130	(37,572)
Short-term timing differences	(16,500)	(29,500)
Losses and other deductions	(1,348,224)	(2,043,108)
	<u>(1,225,594)</u>	<u>(2,110,180)</u>

Fixed asset timing differences are expected to be reversed in line with each corresponding fixed asset class and the classes depreciation rates, as noted in the accounting policies.

Short-term timing differences are expected to reverse over the next 12 months.

Losses and other deductions will continue to be utilised as future profits arise from the Company's ordinary course of business.

21. Provisions

	Warranties £	Dilapidations £	Total £
At 1 January 2022	118,000	287,367	405,367
Charged to profit or loss	(52,000)	28,737	(23,263)
At 31 December 2022	<u>66,000</u>	<u>316,104</u>	<u>382,104</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.

Dilapidations provision

The Company provides for the estimated costs to return the leased property to its original condition at the end of the lease arrangement in 2032. This estimate is based on alterations and decoration per square foot and reviewed annually.

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

22. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1 Ordinary share of £1.00	1	1
	<u>1</u>	<u>1</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

23. Reserves

Shareholders' capital contribution

This is a balance arising on the sale of the business by the previous owner as a capital contribution.

Profit and loss account

This represents accumulated realised losses incurred by the Company.

24. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £167,974 (2021 - £159,005). No contributions (2021 - £Nil) were payable to the fund at the statement of financial position date.

25. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	276,731	276,731
Later than 1 year and not later than 5 years	1,096,247	1,099,743
Later than 5 years	1,199,989	1,473,224
	<u>2,572,967</u>	<u>2,849,698</u>

VACGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

26. Related party transactions

The Company has taken advantage of the exemption in FRS 102 section 33.1A to not disclose transactions with wholly owned group entities.

During the year, expenses of £120,000 (2021 - £108,512) were incurred from an entity under common control of one of the directors. At the year end, a balance of £12,238 (2021 - £12,238) was owed by Vacgen Limited to this entity.

27. Controlling party

The immediate parent undertaking is Vacgen Holdings Limited, a company registered in England and Wales.

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

The largest and smallest group of undertakings for which group accounts for the year ending 31 December 2022 have been drawn up, is that headed by Vacgen Holdings Limited. The registered office address of Vacgen Holdings Limited is 5 Albany Courtyard, London, W1J 0HF. Copies of the group accounts are available from Companies House.

The directors do not consider there to be an ultimate controlling party.