Registered number: 05771788

CARBOSYNTH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CARBOSYNTH LIMITED

COMPANY INFORMATION

Directors	V Eastwick-Field V Gibson J Bryce P Dawes U Spitz (appointed 14 May 2019) P Meili (appointed 1 February 2020)
Company secretary	P Dawes
Registered number	05771788
Registered office	8 & 9 Old Station Business Park Compton Newbury Berkshire RG20 6NE
Independent auditors	James Cowper Kreston Chartered Accountants and Statutory Auditor 2 Communications Road Greenham Business Park Greenham Newbury Berkshire RG19 6AB

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The principal activity of the company continues to be synthesis and sale of chemical products used for research, development and mature applications. The key product areas for the company are carbohydrates, nucleosides, fine chemicals and biologically active entities. The business splits into 4 key sectors: catalogue sales, key accounts, lab-scale custom synthesis and project work. The customer base is varied; the important sectors are academia, life science and diagnostics.

Business review

The results for the year show the total revenue at £19,599k (2018: £15,308k), a 28% increase compared to the prior year and an EBITDA of £381k (2018: £699k). All sectors of the Carbosynth business performed well delivering growth except for the project work sector. Pre-tax profit was also affected by exceptional costs in IT because the company is investing in the implementation of a new ERP system to support the future growth and provide a common platform across the Carbosynth Group.

The company has a multifaceted approach to sourcing at all scale which helps the company meet the demands of its customers through a combination of own manufacture, including in the JV Carbotang, tech transfer to contract manufacturers, third party supply agreements and outsourcing. The operations in the group company, Carbosynth China Limited, provides an extensive outsourcing service with a team of 60 staff actively working to manage the supply chain from this territory.

The US territory is a key target for growth and the company continues to transfer business to the wholly owned US arm of the group to increase its independence from UK operations and provide excellent local service to the Groups US customers.

Principal risks and uncertainties

Credit risk is mitigated by using credit agencies and in 2017 we adopted a more prescriptive approach when proving credit terms to new customers. We monitor ongoing accounts and manage overdue accounts actively.

Cybercrime and fraud are becoming more pervasive and in 2019 we updated our IT security review, bringing additional measures to counteract this threat. In addition, we run regular internal awareness workshops to ensure staff are vigilant and aware of this evolving threat.

The company operates internationally which includes territories where there is both political and economic uncertainty. The movement in foreign currencies does affect our business although as we make both sales and purchases in foreign currencies, so a natural hedge exists.

Brexit uncertainty continues to be a concern. The Directors are aware of the challenges and have elaborated a concept to mitigate any negative impact. The implementation of this will occur once the Brexit details are known. The new Group company has distribution hubs from Switzerland, Sweden, USA, Japan and China which allows us to efficiently service customers on a worldwide basis. We have taken steps to mitigate some of the challenges that Brexit brings by increasing the stock holding of key products for European customers to the Slovak distribution centre. This allows EU sales to continue from the group on a EU to EU basis. We are also well advanced in the implementation of a group wide ERP system that provides an important platform to manage the stocks globally.

At the end of 2019, reports from China on the corona virus appeared for the first time. In the first months of 2020, the virus spread throughout the world and its negative impact is substantial. Although, at the time of these financial statements, the management do not see a significant impact on the business, however, as the situation is still changing, future effects / impacts cannot be predicted. The Directors continue to monitor for any impact and take all necessary steps to mitigate any negative effects on the Company and its employees. The Directors have considered the financial position of the Company and believe that it remains a going concern.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

There are a growing number of products that are in short supply as more factories in China cease operations due to environmental issues. For some products that we trade we have engaged in risk mitigation by the qualification of dual supplier.

In May 2018 REACH is fully operational. Although many of our products are below the REACH threshold quantities, we have been active in taking measures to confirm registration for products that are likely to breach the quantity thresholds.

Financial key performance indicators

Some of the Company's KPIs during the year were as follows:

	2019	2018	2017	2016
Turnover (£'000's)	19,599	15,308	14,504	14,767
EBITDA (£'000's)	381	697	1,018	1,218
Stock (£'000's)	2,294	2,161	2,151	1,784
Custom synthesis turnover (£'000's)	1,848	1,660	1,122	1,011
Stock lines	19,460	16,898	15,346	14,148

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

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U Spitz
Director

Date: 28 May 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The Directors who served during the year were:

V Eastwick-Field
V Gibson
J Bryce
P Dawes
U Spitz (appointed 14 May 2019)

Results and dividends

The loss for the year, after taxation, amounted to £91,423 (2018 - profit £104,025).

No dividends were declared in the year.

Directors' responsibilities statement

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 judgments and accounting estimates that are reasonable and prudent;
- 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.

Future developments

Further details of the Company's future strategy can be found in the Strategic report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

The auditors, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

....

U Spitz
Director

Date: 28 May 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBOSYNTH LIMITED

Opinion

We have audited the financial statements of Carbosynth Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Directors' 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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the 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 or 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 on page 3, 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.

Auditors' 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 Auditors' 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 Auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBOSYNTH LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Robert Holland BSc FCA (Senior statutory auditor)

for and on behalf of
James Cowper Kreston

Chartered Accountants and Statutory Auditor

2 Communications Road
Greenham Business Park
Greenham
Newbury
Berkshire
RG19 6AB

28 May 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	**19,599,450**	15,308,338
Cost of sales		**(11,450,186)**	(8,457,072)
Gross profit		**8,149,264**	6,851,266
Administrative expenses		**(8,264,702)**	(6,712,378)
Operating (loss)/profit	5	**(115,438)**	138,888
Interest receivable and similar income		**88**	-
Interest payable and expenses	7	**(13,517)**	(25,658)
(Loss)/profit before tax		**(128,867)**	113,230
Tax on (loss)/profit	8	**37,444**	(9,205)
(Loss)/profit for the financial year		**(91,423)**	104,025

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 11 to 26 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	10		**435,599**		657,636
Investments	11		**839,199**		839,199
			1,274,798		1,496,835
Current assets					
Stocks	12	**2,294,074**		2,236,163	
Debtors: amounts falling due within one year	13	**3,003,462**		2,537,412	
Cash at bank and in hand	14	**1,983,875**		115,443	
		7,281,411		4,889,018	
Current liabilities					
Creditors: amounts falling due within one year	15	**(5,588,328)**		(3,326,549)	
Net current assets			**1,693,083**		1,562,469
Total assets less current liabilities			**2,967,881**		3,059,304
Net assets			**2,967,881**		3,059,304
Capital and reserves					
Called up share capital	17		**2,000**		2,000
Share premium account	18		**619,117**		619,117
Profit and loss account	18		**2,346,764**		2,438,187
			2,967,881		3,059,304

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

....
U Spitz
Director

Date: 28 May 2020

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	2,000	619,117	2,438,187	3,059,304
Loss for the year	-	-	(91,423)	(91,423)
At 31 December 2019	2,000	619,117	2,346,764	2,967,881

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	2,000	619,117	2,334,162	2,955,279
Profit for the year	-	-	104,025	104,025
At 31 December 2018	2,000	619,117	2,438,187	3,059,304

The notes on pages 11 to 26 form part of these financial statements.

1. General information

Carbosynth Limited is a private limited company by share capital and incorporated in England and Wales. The address of the registered office and principal place of business is 8 & 9 Old Station Business Park, Compton, Newbury, Berkshire, RG20 6NE.

The principal activity of the Company is the sale and distribution of chemical products.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with 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 judgment 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 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Biosynth Holding AG as at 31 December 2019 and these financial statements may be obtained from the Company's registered office.

2.3 Going concern

The Directors have considered the financial position of the Company and believe that the Company is currently a going concern. The COVID-19 outbreak has so far not had a material impact on this assessment and, based on their current knowledge, they do not expect it to do so going forward. Consequently, the financial statements have been prepared on a going concern basis.

2. Accounting policies (continued)

2.4 Revenue

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

Sale of goods

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

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

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 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:

Freehold property improvements	-	33%	per annum
Plant & machinery	-	33%	per annum
Motor vehicles	-	33%	per annum
Fixtures & fittings	-	33%	per annum
Computer equipment	-	33%	per annum

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

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

2. Accounting policies (continued)

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each balance sheet date, stocks are assessed for impairment. Stock is impaired on a systematic basis reflecting the ageing profile and natural lifecycle of chemical components. The impairment loss is recognised immediately in profit or loss.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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

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

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2. Accounting policies (continued)

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.13 Operating leases: the Company as lessee

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

2.14 Pensions

Defined contribution pension plan

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

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

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2. Accounting policies (continued)

2.16 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet 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 balance sheet date.

2.17 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

The key judgment made by management in respect of revenue is the point at which that revenue should be recognised. Management consider the underlying contract terms and conclude upon the most appropriate point of the cycle at which to recognise revenue based upon these terms and in particular where the risks and rewards of ownership transfer.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax submissions. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Tangible fixed assets

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. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Operating lease commitments

The Company has entered into commercial lease contracts and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Sale and distribution of chemical products	**19,599,450**	15,308,338

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	**4,043,450**	2,968,502
Rest of Europe	**8,528,000**	6,092,357
Rest of the world	**7,028,000**	6,247,479
	19,599,450	15,308,338

5. Operating (loss)/profit

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

	2019 £	2018 £
Research & development charged as an expense	**86,369**	75,896
Exchange differences	**142,589**	63,610
Other operating lease rentals	**143,389**	164,303
Depreciation of tangible fixed assets	**496,893**	559,662
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**7,250**	7,055

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	**2,406,818**	2,153,448
Social security costs	**220,023**	193,120
Cost of defined contribution scheme	**73,978**	48,301
	2,700,819	2,394,869

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

	2019 No.	2018 No.
Sales/distribution	**17**	34
Administration	**55**	29
Production	**14**	14
	86	77

7. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	**10,338**	16,765
Other interest payable	**3,179**	8,893
	13,517	25,658

8. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	**-**	51,870
Adjustments in respect of previous periods	**9,288**	-
Deferred tax		
Origination and reversal of timing differences	**4,151**	(42,665)
Deferred tax in respect of prior periods	**(50,883)**	-
Total deferred tax	**(46,732)**	(42,665)

Taxation on (loss)/profit on ordinary activities	**(37,444)**	9,205

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	(128,867)	113,230
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(24,485)	21,514
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,930	266
Fixed asset differences	61,311	2,485
Adjustments to tax charge in respect of prior periods	9,288	-
Deferred tax in respect of prior periods	(50,883)	-
Other differences leading to an increase (decrease) in the tax charge	(488)	(2,415)
Group relief	(7,218)	-
Deduction for R&D expenditure	(37,899)	(12,645)
Total tax charge for the year	(37,444)	9,205

9. Intangible assets

	Patents
	£
Cost	
At 1 January 2019	113,814
At 31 December 2019	113,814
Amortisation	
At 1 January 2019	113,814
At 31 December 2019	113,814
Net book value	
At 31 December 2019	-
At 31 December 2018	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Tangible fixed assets

	Freehold property improvements	Plant & machinery	Motor vehicles	Fixtures & fittings	Computer equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2019	119,080	1,117,110	8,450	582,730	467,470	2,294,840
Additions	13,942	48,273	-	190,272	91,434	343,921
Disposals	-	(13,000)	-	-	(152,575)	(165,575)
At 31 December 2019	133,022	1,152,383	8,450	773,002	406,329	2,473,186
Depreciation						
At 1 January 2019	107,808	857,738	8,450	372,074	291,134	1,637,204
Charge for the year	12,615	213,846	-	149,375	121,057	496,893
Disposals	-	(13,000)	-	-	(83,510)	(96,510)
At 31 December 2019	120,423	1,058,584	8,450	521,449	328,681	2,037,587
Net book value						
At 31 December 2019	12,599	93,799	-	251,553	77,648	435,599
At 31 December 2018	11,272	259,372	-	210,656	176,336	657,636

11. Fixed asset investments

	Investments in subsidiary companies	Investments in associates	Unlisted investments	Total
	£	£	£	£
Cost or valuation				
At 1 January 2019	219,582	619,617	-	839,199
Disposed control	-	(619,617)	619,617	-
At 31 December 2019	219,582	-	619,617	839,199

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Czech, Moravian and Slovak Chemicals Limited	Dormant	Ordinary	100 %
Carbosynth LLC	Wholesale of chemical products	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for t subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Los
Czech, Moravian and Slovak Chemicals Limited	**597,761**	**-**
Carbosynth LLC	**318,079**	**5,518**

12. Stocks

	2019 £	2018 £
Raw materials	**2,294,074**	2,236,163

13. Debtors

	2019 £	2018 £
Trade debtors	**1,520,620**	1,334,002
Amounts owed by group undertakings	**801,871**	622,355
Other debtors	**496,756**	412,145
Prepayments and accrued income	**134,790**	136,290
Tax recoverable	**20,956**	-
Deferred taxation	**28,469**	32,620
	3,003,462	2,537,412

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	**1,983,875**	115,443
Less: bank overdrafts	**(1,365,693)**	(781,419)
	618,182	(665,976)

Security

Bank overdrafts are secured against the assets of the Company.

15. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Bank overdrafts	**1,365,693**	781,419
Trade creditors	**506,754**	575,097
Amounts owed to group undertakings	**1,741,866**	822,332
Amounts owed to associates	**-**	123,248
Corporation tax	**-**	73,911
Other taxation and social security	**154,743**	135,691
Other creditors	**260,825**	368,979
Accruals and deferred income	**1,558,447**	445,870
	5,588,328	3,326,547

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Deferred taxation

	2019 £	2018 £
At beginning of year	32,620	(10,045)
Charged to profit or loss	(4,151)	42,665
At end of year	**28,469**	32,620

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	**28,469**	32,620

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2,000 (2018 - 2,000) Ordinary shares of £1.00 each	**2,000**	2,000

18. Reserves

Share premium account

The share premium reserve represents the excess over par value received from the issue of equity shares.

Profit & loss account

The profit and loss account represents the cumulative profit available for distribution to shareholders.

19. Capital commitments

At 31 December 2019 the Company had capital commitments as follows:

	2019 £	2018 £
Contracted for but not provided in these financial statements	**530,757**	-

20. Pension commitments

The Company operates a defined contributions 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 £73,978 (2018: £48,301). Contributions totalling £nil (2018: £4,736) were payable to the fund at the balance sheet date and are included in other creditors.

21. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	**123,217**	109,063
Later than 1 year and not later than 5 years	**189,873**	63,333
	313,090	172,396

22. Related party transactions

During the year, the Company had loans from directors. Interest was charged on these loans at between 2% and 2.49% above the Royal Bank of Scotland base rate and totalled £3,179 (2018: £8,892) The loans outstanding at the year end were £699 (2018: £131,695) and is included in other creditors.

During the year rent of £49,308 (2018: £56,400) was paid to a director.

The Company is exempt under Paragraph 33.1A of FRS 102 from disclosing transactions entered into between two or more members of the group headed by Biosynth Holding AG, provided that any subsidiary which is a party to the transaction is wholly owned by Biosynth Holding AG.

During the year the Company paid service charges to Carbosynth Holdings Limited of £1,362,198 (2018: £1,259,143) and paid commissions to Carbosynth Holdings Limited of £830,336 (2018: £382,584). At the year end the Company owed £1,138,026 (2018: £183,301) to Carbosynth Holdings Limited.

During the year the Company made purchases of £3,827,316 (2018: £2,690,294) and made sales of £569,147 (2018: £305,370) from/to Carbosynth China Limited, a fellow subsidiary of Carbosynth Limited. At the year end the Company was due £306,829 (2018: £402,403) from Carbosynth China Limited.

At the year end the Company was due £128,753 (2018: £129,328) from Carbosynth Hong Kong Limited, a fellow subsidiary of Carbosynth Limited.

During the year the Company made sales totalling £69,266 (2018: £nil) to Biosynth AG, a fellow subsidiary of Carbosynth Limited. At the year end the Company was due £60,912 (2018: £nil) from Biosynth AG.

During the year the Company made sales totalling £154,800 (2018: £nil) to Biosynth s.r.o, a fellow subsidiary of Carbosynth Limited. At the year end the Company was due £151,674 (2018: £nil) from Biosynth s.r.o.

23. Post balance sheet events

On 1 January 2020 the Company disposed of it's investment in Carbosynth LLC for a consideration of £612,500.

After the balance sheet date, the Company entered into a 10 year lease for the use of certain property at a charge of £60,000 per annum.

24. Controlling party

There is no one ultimate controlling party. The parent of the largest group for which group accounts including the Company are available is Biosynth Holding AG, a company registered in Switzerland. Copies of these accounts may be obtained from the registered office.

At the year end, the parent of the smallest group for which group accounts including the Company are available was Carbosynth Holdings Limited.