

Carbosynth Limited

Registered number: 05771788

Directors' report and financial statements

For the year ended 31 December 2020

CARBOSYNTH LIMITED

COMPANY INFORMATION

Directors	P Dawes V Gibson J Kuepper (appointed 26 June 2020) P Meili (appointed 1 February 2020) B Rogers (appointed 26 June 2020) U Spitz J Bryce (resigned 13 May 2020) V Eastwick-Field (resigned 14 January 2021)
Company secretary	P J Dawes
Registered number	05771788
Registered office	8 & 9 Old Station Business Park Compton Newbury Berkshire RG20 6NE
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor 90 Victoria Street Bristol BS1 6DP

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 £18,006k (2019: £19,599k), a 9% decrease compared to the prior year and an EBITDA of £1,155k (2019: £381k). All sectors of the Carbosynth business performed well during the unprecedented disruption arising from the Covid-19 pandemic. Various measures have been put in place to minimize the risk to the employees of the company in line with government guidance. The Company has remained resilient to the impact of Covid-19 and demand for products continues to be high.

The company has a multifaceted approach to sourcing at all scales which helps the company meet the demands of its customers through a combination of own manufacture, including in the joint venture in 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 81 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 Biosynth Group's 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.

The pandemic continues to be a concern. The Directors are aware of the challenges and have elaborated a concept to mitigate any further negative impact. Sales resources have been increased and the start of 2021 has been very promising.

The Directors have considered the financial position of the Company and have concluded that it remains a going concern.

Future developments

The company has 2 divisions, Research Products and Pharmaceutical & Diagnostic Products. Both divisions are strong and will continue to grow. The Pharmaceutical & Diagnostic Products division we expect to grow more over the coming years due to the pandemic, we have recently built a new well equipped Laboratory on site that can cope with the rising demand.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

The Directors have considered the financial position of the Company and have concluded that it remains a going concern. This conclusion has been reached after future planning & budgeting has been compiled, taking into account the higher demand for products driven by the pandemic. The need for continued research of pharmaceutical and diagnostic products grows in spite of the pandemic, although the pandemic has driven this to a higher level than expected.

Financial key performance indicators

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

	2020	2019	2018	2017
Turnover (£'000's)	18,006	19,599	15,308	14,504
EBITDA (£'000's)	1,155	381	697	1,018
Stock (£'000's)	2,542	3,291	2,161	2,151
Stock lines	20,856	19,460	16,898	14,148

This report was approved by the board on 21 April 2021 and signed on its behalf.

U Spitz
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

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 judgements 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.

Results and dividends

The profit for the year, after taxation, amounted to £740,295 (2019 - loss £91,423).

No dividends were declared in the year.

Directors

The directors who served during the year were:

P Dawes
V Gibson
J Kuepper (appointed 26 June 2020)
P Meili (appointed 1 February 2020)
B Rogers (appointed 26 June 2020)
U Spitz
J Bryce (resigned 13 May 2020)
V Eastwick-Field (resigned 14 January 2021)

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 2020

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.

Post balance sheet events

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

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 April 2021 and signed on its behalf.

U Spitz
Director

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 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2020 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBOSYNTH LIMITED

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 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 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.

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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBOSYNTH LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 either the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARBOSYNTH LIMITED

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

Use of the audit 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.

Jonathan Marchant (Senior Statutory Auditor)

for and on behalf of
Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street
Bristol
BS1 6DP

22 April 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	4	18,006,127	19,599,450
Cost of sales		(9,768,560)	(11,450,186)
Gross profit		8,237,567	8,149,264
Administrative expenses		(7,900,238)	(8,264,702)
Operating profit/(loss)	5	337,329	(115,438)
Gain on disposal of investments		501,578	-
Interest receivable and similar income	9	12,441	88
Interest payable and expenses	10	(1,018)	(13,517)
Profit/(loss) before tax		850,330	(128,867)
Tax on profit/(loss)	11	(110,035)	37,444
Profit/(loss) for the financial year		740,295	(91,423)

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 13 to 30 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	201,823	-
Tangible assets	13	1,226,192	435,599
Investments	14	770,000	839,199
		<u>2,198,015</u>	<u>1,274,798</u>
Current assets			
Stocks	15	2,541,844	2,294,074
Debtors: amounts falling due within one year	16	4,888,468	3,003,462
Cash at bank and in hand	17	1,895,763	1,983,875
		<u>9,326,075</u>	<u>7,281,411</u>
Creditors: amounts falling due within one year	18	(7,624,049)	(5,588,328)
Net current assets		<u>1,702,026</u>	<u>1,693,083</u>
Total assets less current liabilities		<u>3,900,041</u>	<u>2,967,881</u>
Provisions for liabilities			
Deferred tax	20	(191,865)	-
		<u>(191,865)</u>	<u>-</u>
Net assets		<u><u>3,708,176</u></u>	<u><u>2,967,881</u></u>
Capital and reserves			
Called up share capital	21	2,000	2,000
Share premium account	22	619,117	619,117
Profit and loss account	22	3,087,059	2,346,764
		<u><u>3,708,176</u></u>	<u><u>2,967,881</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2021.

U Spitz
Director

The notes on pages 13 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	2,000	619,117	2,346,764	2,967,881
Comprehensive income for the year				
Profit for the year	-	-	740,295	740,295
Total comprehensive income for the year	-	-	740,295	740,295
At 31 December 2020	<u>2,000</u>	<u>619,117</u>	<u>3,087,059</u>	<u>3,708,176</u>

The notes on pages 13 to 30 form part of these financial statements.

**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
Comprehensive income for the year				
Loss for the year	-	-	(91,423)	(91,423)
Total comprehensive income for the year	-	-	(91,423)	(91,423)
At 31 December 2019	<u>2,000</u>	<u>619,117</u>	<u>2,346,764</u>	<u>2,967,881</u>

The notes on pages 13 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

Carbosynth Limited is a private company limited 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 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 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 2020 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 Group and believe that the Group is currently a going concern. This conclusion is based primarily on budgets and forecasts prepared and the assumption that demand will continue at least at budgeted levels for the foreseeable future due to the continued need for research and pharmaceutical diagnostic products. Please see the Strategic report for further detail. Consequently, the financial statements have been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.4 Consolidation

The Company is under section 400 of the Companies Act from the requirement to prepare consolidated financial statements, by virtue of the immediate parent company, Carbosynth Holdings Ltd, preparing consolidated financial statements within which the Company and its subsidiaries are included and which are publicly available.

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 except when deferred in other comprehensive income as qualifying cash flow hedges.

2.6 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.

2.7 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.8 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, which range from 3 to 6 years.

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.

2.9 Interest income

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

2.10 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.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 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 Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.13 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 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.

2.14 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. Amortisation charge for the year is included within administrative expenses in the Statement of Comprehensive Income.

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.

The estimated useful lives range as follows:

Software	-	7	years
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2.15 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.15 Tangible fixed assets (continued)**

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	-	20 years
Plant & machinery	-	10 years
Motor vehicles	-	4 years
Fixtures & fittings	-	12 years
Computer equipment	-	5 years

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.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.17 Stocks

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

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

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.20 Creditors

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

2.21 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.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets 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 judgements and assumptions (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The key judgements and assumptions 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.

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 as a lessee, to obtain use of property. The classification of such leases as operating or finance leases requires the group to determine, based on an evaluation of the terms and conditions of the arrangement, whether it retains or acquires the significant risks and rewards of ownership of the assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

Provisions for stock losses

The Company has established a provision for loss or obsolescence in stock values. The estimate is made at each reporting date based on the sales history for each type of stock held.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

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

	2020 £	2019 £
Sale and distribution of chemical products	18,006,127	19,599,450
	<u>18,006,127</u>	<u>19,599,450</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	2,178,108	4,043,450
Rest of Europe	8,738,388	8,528,000
Rest of the world	7,089,631	7,028,000
	<u>18,006,127</u>	<u>19,599,450</u>

5. Operating profit/(loss)

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

	2020 £	2019 £
Research & development charged as an expense	800	86,369
Exchange differences	(184,829)	142,589
Other operating lease rentals	231,746	143,389
Depreciation of tangible fixed assets	170,497	496,893
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>23,880</u>	<u>7,250</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>23,880</u>	<u>7,250</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Employees

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

	2020	2019
	£	£
Wages and salaries	2,647,385	2,403,710
Social security costs	239,901	220,023
Cost of defined contribution scheme	87,102	73,978
	<u>2,974,388</u>	<u>2,697,711</u>

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

	2020	2019
	No.	No.
Sales/distribution	32	17
Administration	27	55
Production	38	14
	<u>97</u>	<u>86</u>

8. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	100,564	-
Company contributions to defined contribution pension schemes	2,800	-
	<u>103,364</u>	<u>-</u>

During the year retirement benefits were accruing to 1 director (2019 - NIL) in respect of defined contribution pension schemes.

9. Interest receivable

	2020	2019
	£	£
Interest receivable from group companies	12,181	-
Other interest receivable	260	88
	<u>12,441</u>	<u>88</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	1,018	10,338
Other interest payable	-	3,179
	<u>1,018</u>	<u>13,517</u>

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(101,371)	-
Adjustments in respect of previous periods	(8,928)	9,288
Total current tax	<u>(110,299)</u>	<u>9,288</u>
Deferred tax		
Origination and reversal of timing differences	220,334	4,151
Deferred tax in respect of prior periods	-	(50,883)
Total deferred tax	<u>220,334</u>	<u>(46,732)</u>
Taxation on profit/(loss) on ordinary activities	<u>110,035</u>	<u>(37,444)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	<u>850,330</u>	<u>(128,867)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	161,563	(24,485)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	12,930
Fixed asset differences	51,485	61,311
Adjustments to tax charge in respect of prior periods	(110,169)	9,288
Deferred tax in respect of prior periods	-	(50,883)
Other differences leading to an increase (decrease) in the tax charge	4,917	(488)
Group relief	10,437	(7,218)
Deduction for R&D expenditure	(8,198)	(37,899)
Total tax charge for the year	<u><u>110,035</u></u>	<u><u>(37,444)</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Intangible assets

	Patents £	Computer software £	Total £
Cost			
At 1 January 2020	113,814	-	113,814
Additions	-	210,465	210,465
At 31 December 2020	113,814	210,465	324,279
Amortisation			
At 1 January 2020	113,814	-	113,814
Charge for the year on owned assets	-	8,642	8,642
At 31 December 2020	113,814	8,642	122,456
Net book value			
At 31 December 2020	-	201,823	201,823
At 31 December 2019	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2020	133,022	1,152,383	8,450	773,002	406,329	2,473,186
Additions	84,909	60,119	-	784,673	31,389	961,090
At 31 December 2020	<u>217,931</u>	<u>1,212,502</u>	<u>8,450</u>	<u>1,557,675</u>	<u>437,718</u>	<u>3,434,276</u>
Depreciation						
At 1 January 2020	120,423	1,058,584	8,450	521,449	328,681	2,037,587
Charge for the year on owned assets	1,605	23,782	-	76,290	68,820	170,497
At 31 December 2020	<u>122,028</u>	<u>1,082,366</u>	<u>8,450</u>	<u>597,739</u>	<u>397,501</u>	<u>2,208,084</u>
Net book value						
At 31 December 2020	<u>95,903</u>	<u>130,136</u>	<u>-</u>	<u>959,936</u>	<u>40,217</u>	<u>1,226,192</u>
At 31 December 2019	<u>12,599</u>	<u>93,799</u>	<u>-</u>	<u>251,553</u>	<u>77,648</u>	<u>435,599</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Freehold	95,903	12,599
	<u>95,903</u>	<u>12,599</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Fixed asset investments

	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2020	219,582	619,617	839,199
Disposals	(69,199)	-	(69,199)
At 31 December 2020	<u>150,383</u>	<u>619,617</u>	<u>770,000</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Czech, Moravian and Slovak Chemicals Limited	8 & 9 Old Station Business Park, Compton, Newbury. RG20 6NE	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Czech, Moravian and Slovak Chemicals Limited	597,761	-

Disposal

During the year, on 01 January 2020, Carbosynth Ltd disposed of its investment in subsidiary Carbosynth LLC for consideration of \$750,000, recognising a gain on disposal of £501,578 within the statement of comprehensive income. No further profits recognised in the year are attributable to Carbosynth LLC.

15. Stocks

	2020 £	2019 £
Raw materials	2,541,844	2,294,074
	<u>2,541,844</u>	<u>2,294,074</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Debtors

	2020	2019
	£	£
Trade debtors	1,694,687	1,520,620
Amounts owed by group undertakings	2,196,365	801,871
Other debtors	558,170	496,756
Prepayments and accrued income	337,875	134,790
Tax recoverable	101,371	20,956
Deferred taxation	-	28,469
	<u>4,888,468</u>	<u>3,003,462</u>

17. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	1,895,763	1,983,875
Less: bank overdrafts	(1,444,933)	(1,365,693)
	<u>450,830</u>	<u>618,182</u>

18. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Bank overdrafts	1,444,933	1,365,693
Trade creditors	735,922	506,754
Amounts owed to group undertakings	3,263,911	1,741,866
Other taxation and social security	73,102	154,743
Other creditors	58,069	260,825
Accruals and deferred income	2,048,112	1,558,447
	<u>7,624,049</u>	<u>5,588,328</u>

Bank overdrafts are secured against the assets of the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>2,515,380</u>	<u>2,603,492</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and unlisted investments.

20. Deferred taxation

	2020 £
At beginning of year	28,469
Charged to profit or loss	(220,334)
At end of year	<u>(191,865)</u>

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(191,865)	28,469
	<u>(191,865)</u>	<u>28,469</u>

21. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
2,000 (2019 - 2,000) Ordinary shares of £1.00 each	<u>2,000</u>	<u>2,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

22. 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.

23. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	-	530,757
	<u>-</u>	<u>530,757</u>

24. 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 £87,102 (2019 - £73,978). Contributions totalling £Nil (2019 - £Nil) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	131,962	123,217
Later than 1 year and not later than 5 years	231,578	189,873
	<u>363,540</u>	<u>313,090</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

26. 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 £Nil (2019: £3,179). Amounts repaid during the year were £699 (2019: £134,175). The loans outstanding at the year end were £Nil (2019: £699) and is included in other creditors.

During the year rent of £91,944 (2019: £49,308) 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 a group, provided that any entity which is a party to the transaction is wholly owned by the group.

During the year the Company paid: service charges of £1,295,797 (2019: £1,362,198); commissions of £1,141,439 (2019: £830,336); and rent of £117,399 (2019: £10,500) to Carbosynth Holdings Limited. At the year end the Company owed £2,679,955 (2019: £1,138,026) to Carbosynth Holdings Limited.

During the year the Company made purchases of £2,283,123 (2019: £3,827,316) and made sales of £453,494 (2019: £569,147) from/to Carbosynth China Limited, a fellow subsidiary of Carbosynth Holdings Limited. At the year end the Company was due £178,878 (2019: £306,829) from Carbosynth China Limited.

At the year end the Company was due £126,338 (2019: £128,753) from Carbosynth Hong Kong Limited, a fellow subsidiary of Carbosynth Holdings Limited.

During the year the Company made sales totalling £275,426 (2019: £69,266) to Biosynth AG, a fellow subsidiary of Biosynth Holding AG. At the year end the Company was due £3,694 (2019: £60,912) from Biosynth AG and owed £37,319 (2019: £nil) to Biosynth AG.

During the year the Company made purchases of £49,471 (2019 - £Nil) and made sales totalling £408,995 (2019: £154,800) to Biosynth s.r.o, a fellow subsidiary of Biosynth Holding AG. At the year end the Company was due £898,666 (2019: £151,674) from, and owed £11,899 (2019: £nil) to, Biosynth s.r.o.

During the year the Company made purchases of £291,719 (2019 - £Nil) and made sales of £1,929,167 to Biosynth International Inc., a fellow subsidiary of Biosynth Holding AG. At the year end the Company was due £1,000,380 from, and owed £68,628 to, Biosynth International Inc.

During the year, the Company made purchases of £2.7m (2019 £2.6m) from Jinan Carbotang Biotech Co. Ltd, in which the Company holds a non-controlling interest and has Directors in common. At the year end, the Company owed £124,230 (2019: £492,954) to Jinan Carbotang Biotech Co. Ltd.

27. Controlling party

The ultimate parent company for Carbosynth Holdings Ltd is Biosynth Beteiligungs AG, a company incorporated in Switzerland. The immediate parent company, and smallest group for which consolidated financial statements are available which include the Company, is Carbosynth Holdings Ltd, a company incorporated in England & Wales. Copies of these accounts may be obtained from 8 & 9 Old Station Business Park, Compton, RG20 6NE, UK. The largest group for which consolidated financial statements are prepared which include the company is Biosynth Holding AG, a company incorporated in Switzerland.

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