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REGISTERED NUMBER: 08694350 (England and Wales)

Annual Report and

Consolidated Financial Statements for the Year Ended 31 December 2019

for

BioCity Group Limited

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BioCity Group Limited

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Financial Statements for the Year Ended 31 December 2019**

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BioCity Group Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	Dr J Brown D Abrams Dr G Crocker (Chair) P Oliver Professor K Shakesheff S Henderson Professor M J Biggs T Reid (appointed 1 January 2019) Dr R Todd (appointed 1 September 2019)
COMPANY SECRETARY:	J Anderson-Moore
REGISTERED OFFICE:	Pennyfoot Street Nottingham NG1 1GF United Kingdom
REGISTERED NUMBER:	08694350 (England and Wales)
STATUTORY AUDITOR:	Mazars LLP Statutory Auditor Park View House 58 The Ropewalk Nottingham NG1 5DW United Kingdom
SOLICITORS:	Geldards LLP The Arc Enterprise Way Nottingham NG2 1EN United Kingdom

BioCity Group Limited

Report of the Directors **for the Year Ended 31 December 2019**

The Directors present their Annual Report on the affairs of the Company, together with the audited consolidated financial statements for the year ended 31 December 2019. A business review, details of future developments, principal risks and uncertainties and financial risk management objectives and policies can be found in the Group Strategic Report on pages 6 to 10 and these are incorporated into this report by cross-reference.

PRINCIPAL ACTIVITY

The principal activity of the Group is the incubation of early stage life science, healthcare and medical technology companies and the provision of seed level equity investment into such companies. The Company also invests in subsidiary undertakings as part of its principal activity.

GOING CONCERN

In the year, the Group made a loss attributable to members of the Company of £571,000 (2018: £1,710,000) but continues to be cash positive as at 31 December 2019. The Group has net current assets of £2,591,000 (2018: £2,668,000) and equity attributable to the owners of the Company of £4,421,000 (2018: £4,992,000). Included within cash is £1,784,000 (2018: £2,652,000) in relation to an exceptional receipt of £5,000,000 received from AstraZeneca (UK) Limited, a non-controlling shareholder of subsidiary Alderley Park Ventures Limited, at the end of 2014. The profit before investment income, other gains and losses, finance gains/(costs), tax, depreciation, amortisation and adjusted for exceptional items, being adjusted EBITDA, amounted to £1,279,000 (2018: £879,000). The Board anticipates adjusted EBITDA for 2020 will be similar to the adjusted EBITDA for 2019.

The Board has reviewed the Group's forecasts for a minimum period of twelve months from the date of the signing of these financial statements, taking due consideration of the associated risks and uncertainties, and is confident that the Group is in a satisfactory position. Events in relation to the COVID-19 outbreak continue to evolve rapidly and the Group is monitoring the situation closely as it develops. The Group has assessed the potential impact of the COVID-19 outbreak under the current circumstances and has begun implementing certain cash saving measures to maintain an appropriate working capital cash balance without impairing the Group's ability to service its customers. The Group's customers predominantly operate in the life science, healthcare and medical technology sectors, which are considered more resilient in times of recession due to the nature of their funding and a reduced volume of direct to consumer transactions. Additionally, many of the Group's customers provide services to the pharmaceutical sector which similarly tends to be less impacted in times of recession as Governments, healthcare providers and other key stakeholders continue to purchase these products. Having considered the factors above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the financial statements.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2018: £Nil).

DIRECTORS' INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

FUTURE DEVELOPMENTS AND FINANCIAL RISK MANAGEMENT

Further detail on future developments and financial risk management are provided in the Group Strategic Report on pages 6 to 10.

BioCity Group Limited**Report of the Directors - continued**
for the Year Ended 31 December 2019**DIRECTORS**

The Directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report, unless otherwise stated:

Dr J Brown
D Abrams
Dr G Crocker (Chair)
P Oliver
Professor K Shakesheff
S Henderson
Professor M J Biggs
T Reid (appointed 1 January 2019)
R Todd (appointed 1 September 2019)

BOARD AND COMMITTEE MEETINGS

The Board holds formal meetings on a bi-monthly basis, with further meetings being called when circumstances or urgent business dictate. Additional meetings may be held via conference call.

The Board met 6 times during the year. Details of Directors' attendance at these meetings and meetings of the Board's sub-Committees are set out below. In the event that a director is unavailable to attend a Board meeting, or to attend by telephone link, he or she will communicate their views on items to be raised at the meeting through the Chairman.

	The Board	Audit Committee	Remuneration Committee
Director	Meetings attended/(held) whilst the Director was a Board Member	Meetings attended/(held)	Meetings attended/(held)
Dr J Brown	6 (6)	N/A	N/A
D Abrams	6 (6)	2(2)	N/A
Dr G Crocker	6 (6)	N/A	N/A
P Oliver	6 (6)	N/A	N/A
Professor K M Shakesheff	5 (6)	N/A	1 (1)
S Henderson	6 (6)	2(2)	1 (1)
Professor M J Biggs	5 (6)	N/A	1 (1)
T Reid	6 (6)	N/A	N/A
R Todd	3 (3)	1(1)	N/A

BioCity Group Limited

Report of the Directors - continued
for the Year Ended 31 December 2019

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Mazars LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on its behalf by:



.....
T Reid - Director

Date: 27 April 2020

Pennyfoot Street
Nottingham
NG1 1GF
United Kingdom

BioCity Group Limited

Directors' Responsibilities Statement
for the Year Ended 31 December 2019

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the accounts 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BioCity Group Limited

Group Strategic Report **for the Year Ended 31 December 2019**

In preparing this Strategic Report, the Directors have complied with s414c of the Companies Act 2006.

ABOUT BIOCITY

The BioCity Group (BioCity Group Limited and all its subsidiary companies) is the largest life science incubator business in the UK. The Group currently operates three sites, which are all based in the United Kingdom: two in Nottingham (BioCity Nottingham and MediCity Nottingham) and one in Scotland (BioCity Scotland). Collectively, the three sites offer over 300,000 square feet of laboratory, office and meeting room space. BioCity also runs accelerator programmes at several sites across the UK, which offer dedicated business coaching and mentoring for life science, healthcare and medical technology businesses.

BioCity develops new businesses and provides them with the specialist facilities, support services and business advice they need, in an environment that maximises their likelihood of success.

BioCity has made a number of seed and early-stage investments in selected opportunities from its own cash reserves and through the Alderley Park Venture Fund, which is managed by the Group and which invests using funds contributed by AstraZeneca (UK) Limited. The Group receives a 2% management fee and a 20% carried interest in investments made through the Alderley Park Venture Fund on a deal-by-deal basis.

STRATEGY

BioCity's vision is to be the UK leader in the development, funding and incubation of life science, healthcare and medical technology businesses. To achieve this vision, BioCity's strategy is focused on the following two key elements:

- 1) Growing the profitability of our core business by increasing and maintaining occupancy across all sites and opening new sites in key strategic locations within the UK; and
- 2) Growing BioCity's ability to help build successful life science companies by expanding our company development and investment activity.

BUSINESS MODEL

The Group believes its unique business model allows it to ultimately achieve its strategy. The business model consists of three distinct elements: developing, growing and investing in life science, healthcare and medical technology businesses.

Developing - *Using our expertise to support the creation and development of early-stage businesses*

The Group deploys skilled teams to develop new businesses by working with entrepreneurs in a variety of ways including structured programmes which are delivered across all the UK. Through an established network of contacts in academic, NHS and corporate bodies, the Group is able to increase the speed at which new companies can flourish. This activity helps to build a pipeline of tenant companies as well as providing a deep insight into their businesses and management teams, which is invaluable for investment purposes.

Growing - *Providing facilities and services to support Company growth*

The Group provides laboratory, office and meeting room facilities for life science, healthcare and medical technology companies. The Group also undertakes certain specialist laboratory services and provides access to laboratory equipment, enhancing the capital efficiency of the companies located at a Group site. Revenue from the provision of facilities and services accounts for the majority of the Group's total revenue. The concentration of life science, healthcare and medical technology companies at all Group sites is intended to facilitate accelerated growth of these companies through networking, collaboration and support, with the aim of these companies taking on more facilities and generating more revenue for the Group. The provision of facilities and services gives the Group a solid and sustainable source of revenue, as laboratories, offices and laboratory services are a necessity for those companies based at our sites.

Investing - *Selective investment in companies to support their long-term growth and to increase value for BioCity*

The Group invests in life science, healthcare and medical technology companies, providing a valuable source of funding to these businesses. The Group has strict investment criteria that it adheres to and the Group only invests in companies with the intention of making a return on its investment at a future date. The majority of the Group's investments will be in relation to those companies located at a Group site, where the Group is able to facilitate their growth and is able to closely monitor their progress.

BioCity Group Limited

Group Strategic Report - continued **for the Year Ended 31 December 2019**

BUSINESS REVIEW

The Directors rigorously monitor the performance of the business using, amongst other indicators, the key performance indicators as set out in the table below:

Key performance indicators	2019	2018	2017	2016
Income (1)	£10.131m	£9.277m	£9.334m	£7.710m
Adjusted EBITDA (2)	£1.279m	£0.879m	£0.873m	(£0.120m)
Free cash flow (3)	£2.192m	£0.223m	£0.363m	£0.147m

(1) Income is defined as the total of revenue and grant income.

(2) Adjusted EBITDA is defined as earnings before investment income, other gains and losses, finance gains/(costs), tax, depreciation, amortisation and adjusted for exceptional items

(3) Free cash flow is defined as net cash flow from operations.

Income is defined as the total of revenue and grant income. Overall, income increased by £854k (9%) in 2019. Income from licence fees accounts for 72% of all income (2018: 67%), providing a reliable and sustainable source of income to the Group. The Group accesses grant funding to support its Company development activities wherever possible and strategically appropriate. Grant income of £461,000 (2018: £931,000) constitutes 5% (2018: 10%) of total income.

Adjusted EBITDA is a measure of the Group's underlying operating performance. As shown on the face of the Consolidated Statement of Comprehensive Income, adjusted EBITDA is calculated by adjusting the Group's operational result for non-cash and exceptional items and is defined as earnings before investment income, other gains and losses, finance gains/(costs), tax, depreciation, amortisation and adjusted for exceptional items. Adjusted EBITDA of £1,279,000 has increased from the prior year (2018: £879,000).

Free cash flow is a measure of the cash investment required to support the Group's operations and it is defined as the net cash flow from operations. Free cash flow of £2,192,000 in 2019 (2018: £223,000) was affected by a large positive working capital movement of £913,000 (2018: negative £635,000).

Cash and cash equivalents at 31 December 2019 are £4,499,000 (31 December 2018: £3,325,000), resulting in total cash inflows of £1,174,000 (2018: outflow of £1,346,000). This cash increase is primarily due to the Group issuing £2m of loan notes during the year. Within cash and cash equivalents of £4,499,000 at 31 December 2019 (31 December 2018: £3,325,000), a balance of £1,784,000 (31 December 2018: £2,652,000) relates to the cash received from AstraZeneca which is solely for the purposes of investing in third-party companies.

The carrying value of the Group's investments at 31 December 2019 was £5,496,000 (31 December 2018: £3,660,000). The value of the Group's investments increased during 2019 by £1,836,000 (2018: £2,576,000). This increase was due to investments in third-party companies during the year of £1,426,000, disposals of £278,000 and revaluations of £688,000.

FUTURE DEVELOPMENTS

Revenue and costs for 2020 are expected to increase slightly compared to 2019. The Group expects existing tenant companies to take on more space and the Group expects to attract new tenant companies to its sites during 2020. The Group also expects costs to increase with inflation. Overall, the Group anticipates adjusted EBITDA for 2020 will be similar to the adjusted EBITDA for 2019.

BioCity Group Limited

Group Strategic Report - continued
for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's ability to meet its goals and objectives may be affected by a number of risks and uncertainties relating to the strategy, business model and operating environment. The Directors consider the following risks to be the principal risks attributable to the Group. These risks are not a complete list of all the risks facing the Group and the Group's performance may be affected by changes in market and/or economic conditions and changes in legal, regulatory or tax legislation. Additional risks and uncertainties not presently known to the Group or risks currently deemed immaterial may also impact the Group's performance.

Key customer dependency risk

The Group have a number of important customers, and the loss of any of these customers could have a material impact on the Group's future profitability and growth. The Group seeks to mitigate this risk by close monitoring of occupancy forecasts, business development activities to develop and maintain a pipeline of new occupants and through maintenance of reserve funds. It is anticipated that as the Group grows and increases the number of customers it serves, the Group's exposure to this risk will lessen over time.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the Group focusses on central cost control and closely monitors the cash available to the Group, which is invested in a mixture of current accounts and highly liquid cash deposits.

Competition risk

The industry within which the Group operates has relatively high barriers to entry, but it is still possible a competitor could enter the market and increase supply locally, possibly ahead of demand. This is a particular risk in locations where government intervention is prevalent. This could have a material impact on the Group's future revenues and costs. To mitigate this risk the Directors are closely involved with organisations and committees that may impact future developments of science-related accommodation at locations where the Group's operations are based.

Funding risk

A reduction in the levels of funding available for early-stage companies could significantly reduce the growth of the new tenant pipeline available to the Group and could impact on existing tenants' ability to grow or continue in operation. To mitigate this risk the Directors are closely involved with organisations and committees that may impact future developments of science-related accommodation at locations where the Group's operations are based and which are focused on new sources of investment available to companies.

Investment risk

The Group invests in early-stage companies and failure of these investments could impact the Group's future profitability and growth. The Directors manage this risk by maintaining a diversified portfolio of investments and by maintaining clear investment criteria by which the Group determines whether it should invest in a company. Most of these investments are in companies that have either been through one of the Group's development programmes, or are companies based at a BioCity site. This allows the Group to undertake significant 'real-time' due diligence on a regular basis before any investment is made in a company.

Business interruption risk

A significant and prolonged disruption to any of the Group's facilities could result in a substantial loss of income, increased costs, loss of tenants or potential litigation from tenants. The Directors manage this risk by ensuring a comprehensive preventative maintenance programme is in place for all sites and the Group has adequate insurance cover, subject to certain exclusions and deductibles, against the usual insurable perils, such as property damage and other business interrupting events.

Coronavirus

The Directors have considered the potential impact on the Group of the Coronavirus over the period of the going concern statement. Based on its assessment, the Group considers that the impact on the Group's current operations could be significant and the Group is implementing mitigating measures to ensure the business continues to operate as a going concern.

BioCity Group Limited

Group Strategic Report - continued **for the Year Ended 31 December 2019**

Brexit

The Group's business is entirely focused on the UK domestic market and as such, the Group does not have any significant trade of goods and services with companies outside of the UK. The Directors consider the direct impact of Brexit to be a low risk to the Group, although the Group's customers may experience a greater impact on their businesses from Brexit.

FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group is exposed to interest rate changes as some of its cash is held at floating rates.

The Group manages its credit risk by having many customers; invoicing and receiving payments in advance on fixed-recurring revenue; maintaining strong credit control and continually monitoring outstanding debtors.

Liquidity risk is managed by keeping sufficient cash in bank accounts to maintain day-to-day operations

The Group does not use derivative financial instruments.

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in rates.

Interest bearing assets and liabilities are primarily held at fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the notes to these financial statements.

BioCity Group Limited

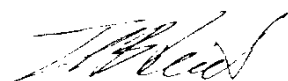
Group Strategic Report - continued
for the Year Ended 31 December 2019

EMPLOYEES

The Group is an equal opportunities employer and promotes diversity through the selection, training, development and promotion of employees. The Group does not differentiate on grounds of gender, ethnicity, sexual orientation, religion or physical ability. For the year ended 31 December 2019, the Group employed an average of 59 (2018: 61) employees including its Executive Directors. A breakdown of Directors and employees by gender is shown in the table below. R Todd was appointed on 1 September 2019 and at the balance sheet date, the Group had 9 directors, of which 1 was female and 8 were male.

	Male	Female	Total
Board of Directors	8	-	8
Employees	23	36	59

**Approved by the Board of Directors
and signed on its behalf by:**



.....
T Reid - Director

Date: 27 April 2020

Pennyfoot Street
Nottingham
NG1 1GF
United Kingdom

**Independent Auditor's Report to the Members of
BioCity Group Limited**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BioCity Group Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, The Consolidated and Company Cash Flow Statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

The impact of uncertainties due to both the COVID-19 coronavirus and the United Kingdom exiting the European Union on our audit

The Directors' view on the impacts of the COVID-19 coronavirus and Brexit are disclosed on pages 8 and 9 respectively.

The full impact following the recent emergence of the global coronavirus is still unknown. It is therefore not currently possible to evaluate all the potential implications to the group and company's trade, customers, suppliers and the wider economy.

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However, the terms of the future trade and other relationships with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications to the group and company's trade, customers, suppliers and the wider economy.

We considered the impacts of COVID-19 coronavirus and Brexit on the group and company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the company and this is particularly the case in relation to both COVID-19 coronavirus and Brexit.

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 group's or the parent 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.

**Independent Auditor's Report to the Members of
BioCity Group Limited (continued)**

Other information

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 group's or the parent 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 - continued

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 respect of these matters.

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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Independent Auditor's Report to the Members of
BioCity Group Limited (continued)**

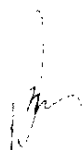
Auditor's responsibilities for the audit of the financial statements

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

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

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.



Alistair Wesson (Senior Statutory Auditor)
For and on behalf of Mazars LLP

Chartered Accountants and
Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW
United Kingdom

Date: 27 April 2020

BioCity Group Limited**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Revenue	2	9,670	8,346
Grant income	2	461	931
Administrative expenses		(10,094)	(9,770)
		<u>37</u>	<u>(493)</u>
Adjusted EBITDA*		1,279	879
Depreciation	3	(1,242)	(1,372)
		<u>37</u>	<u>(493)</u>
OPERATING PROFIT / (LOSS)			
Investment income	4	30	40
Other gains and losses	5	712	199
Finance costs	6	(1,248)	(1,160)
LOSS BEFORE TAXATION	3	(469)	(1,414)
Taxation	8	18	(376)
LOSS FOR THE FINANCIAL YEAR, BEING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(451)</u>	<u>(1,790)</u>
<i>Attributable to:</i>			
Members of the Company		(571)	(1,710)
Non-controlling interests		120	(80)
		<u>(451)</u>	<u>(1,790)</u>

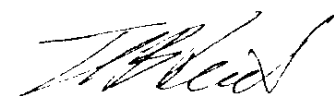
All results are derived from continuing operations.

* Earnings before investment income, other gains and losses, finance gains / (costs), tax, depreciation, amortisation and adjusted for exceptional items.

BioCity Group Limited**Consolidated Balance Sheet**
As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Property, plant and equipment	9	23,746	23,214
Investments	10	5,496	3,660
NON-CURRENT ASSETS		29,242	26,874
Trade and other receivables	11	1,564	2,322
Cash and cash equivalents	12	4,499	3,325
CURRENT ASSETS		6,063	5,647
TOTAL ASSETS		35,305	32,521
LIABILITIES			
Trade and other payables	13	(2,364)	(2,225)
Deferred revenue	14	(169)	(143)
Borrowings	15	(939)	(611)
CURRENT LIABILITIES		(3,472)	(2,979)
Borrowings	15	(25,131)	(22,371)
Deferred tax liability	17	(27)	(45)
NON-CURRENT LIABILITIES		(25,158)	(22,416)
TOTAL LIABILITIES		(28,630)	(25,395)
NET ASSETS		6,675	7,126
EQUITY			
Share capital	18	224	224
Share premium	18	2,758	2,758
Other reserves	18	1,256	1,256
Merger reserve	18	(2,986)	(2,986)
Profit and loss account	18	3,169	3,740
Non-controlling interest		2,254	2,134
TOTAL EQUITY		6,675	7,126
Attributable to			
Owners of the Company		4,421	4,992
Non-controlling interest		2,254	2,134
		6,675	7,126

The financial statements of BioCity Group Limited (registered number: 08694350), were approved and authorised for issue by the Board of Directors on 27 April 2020 and were signed on its behalf by:



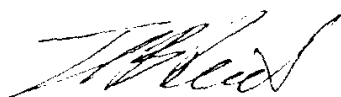
T Reid - Director

BioCity Group Limited**Company Balance Sheet**
As at 31 December 2019

ASSETS	Note	2019 £'000	2018 £'000
Property, plant and equipment	9	17,758	18,468
Investments	10	2,755	2,135
NON-CURRENT ASSETS		20,513	20,603
Trade and other receivables	11	2,535	2,551
Cash and cash equivalents	12	2,439	665
CURRENT ASSETS		4,974	3,216
TOTAL ASSETS		25,487	23,819
LIABILITIES			
Trade and other payables	13	(1,548)	(1,415)
Deferred revenue	14	(39)	(42)
Borrowings	15	(460)	(245)
CURRENT LIABILITIES		(2,047)	(1,702)
Borrowings	15	(21,173)	(19,321)
Deferred tax liability	17	(27)	(45)
NON-CURRENT LIABILITIES		(21,200)	(19,366)
TOTAL LIABILITIES		(23,247)	(21,068)
NET ASSETS		2,240	2,751
EQUITY			
Share capital	18	224	224
Share premium	18	2,758	2,758
Profit and loss account	18	(742)	(231)
TOTAL EQUITY		2,240	2,751
Attributable to			
Owners of the Company		2,240	2,751

In accordance with Section 408 of the Companies Act 2006, the Income Statement of the Parent Company is not presented. The Parent Company's retained loss after exceptional items and tax for the financial year amounted to £511,000 (2018: loss £918,000).

The financial statements of BioCity Group Limited (registered number: 08694350) were approved and authorised for issue by the Board of Directors on 27 April 2020 and were signed on its behalf by:



T Reid - Director

BioCity Group Limited

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2019

	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000
Balance at 1 January 2018	233	2,758	1,769	(2,986)
Realisation of assets gifted			(513)	-
Total comprehensive loss	-	-	(513)	-
Cancellation of share capital	(9)	-	-	-
Balance at 31 December 2018	224	2,758	1,256	(2,986)
Balance at 31 December 2019	224	2,758	1,256	(2,986)

	Profit and loss account £'000	Equity holders £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2018	5,313	7,087	1,838	8,925
Loss for the year	(1,710)	(1,710)	(80)	(1,790)
Realisation of assets gifted	513	-	-	-
Disposal of subsidiary investment	(376)	(376)	376	-
Total comprehensive (loss)/income	(1,573)	(2,086)	296	(1,790)
Cancellation of share capital	-	(9)	-	(9)
Balance at 31 December 2018	3,740	4,992	2,134	7,126
Loss for the year	(571)	(571)	120	(451)
Total comprehensive (loss)/income	(571)	(571)	120	(451)
Balance at 31 December 2019	3,169	4,421	2,254	6,675

BioCity Group Limited

Company Statement of Changes in Equity
for the Year Ended 31 December 2019

	Share capital	Share premium	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Balance at 31 January 2018	233	2,758	687	3,678
Cancellation of share capital	(9)	-	-	(9)
Total comprehensive loss	-	-	(918)	(918)
Balance at 31 December 2018	224	2,758	(231)	2,751
Total comprehensive loss	-	-	(511)	(511)
Balance at 31 December 2019	224	2,758	(742)	2,240

BioCity Group Limited

Consolidated Cash Flow Statement
for the Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating profit / loss		37	(493)
Depreciation	9	1,242	1,372
Foreign exchange movements		-	(21)
Operating cash flows before movements in working capital		1,279	858
Decrease / (increase) in trade and other receivables		746	(992)
Increase in trade and other payables		141	461
Increase / (decrease) in deferred revenue		26	(104)
Cash generated from operations		2,192	223
Cash flows from investing activities			
Purchase of property, plant and equipment		(309)	(248)
Purchase of trade investments		(1,296)	(976)
Proceeds of disposal of property, plant and equipment		-	6
Interest received		18	36
Proceeds of disposal of trade investments		147	50
Proceeds of disposal of non capitalised assets		30	10
Net cash outflow from investing activities		(1,410)	(1,122)
Cash flows from financing activities			
Loans advanced		2,000	500
Repayment of loans		(514)	(231)
Interest paid		(1,094)	(716)
Net cash (outflow) / inflow from financing activities		392	(447)
Increase / decrease in cash and cash equivalents		1,174	(1,346)
Cash and cash equivalents at beginning of year		3,325	4,671
Cash and cash equivalents at end of year	12	4,499	3,325

BioCity Group Limited**Company Cash Flow Statement**
for the Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating profit		476	78
Depreciation		831	837
Operating cash flows before movements in working capital		1,307	915
Decrease / (increase) in trade and other receivables		17	(1,301)
Increase in trade and other payables		66	164
(Decrease) / increase in deferred revenue		(3)	8
Cash used in operations		1,387	(214)
Cash flows from investing activities			
Purchase of property, plant and equipment		(91)	(53)
Purchase of trade investments		(620)	-
Proceeds of disposal of non capitalised assets		8	7
Interest received		3	1
Net cash outflow from investing activities		(700)	(45)
Cash flows from financing activities			
Loans advanced		2,000	500
Repayment of loans		(54)	(62)
Interest paid		(859)	(574)
Net cash (outflow) / inflow from financing activities		1,087	(136)
Increase / (Decrease) in cash and cash equivalents		1,774	(395)
Cash and cash equivalents at beginning of year		665	1,060
Cash and cash equivalents at end of year	12	2,439	665

BioCity Group Limited

Notes to the Consolidated Financial Statements **for the Year Ended 31 December 2019**

1. SIGNIFICANT ACCOUNTING POLICIES

General information and accounting convention

BioCity Group Limited (the Company) is a Company limited by shares incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private Company and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Report of the Directors on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and figures have been presented to the nearest thousand.

Basis of preparation

The consolidated financial statements and the financial statements of the Parent Company have been prepared in accordance with the Companies Act 2006 and IFRSs and related interpretations as adopted by the European Union.

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with IFRSs as adopted by the European Union. The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and the related notes that form a part of these approved financial statements. The Parent Company loss for the year ended 31 December 2019 is £511,000 (2018: £918,000).

The financial statements have been prepared on the historical cost basis, revised for use of fair values where required by applicable IFRS. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if a market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value measurements and/or disclosures in these consolidated financial statements are determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the members of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the members of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling members that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2019**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Merger reserve and merger accounting principles

Business combinations are dealt with under IFRS 3. IFRS 3 however does not apply to Group reconstructions. BioCity Group Limited was incorporated and inserted into the group as an intermediary holding company, on 1 August 2015. The trade, assets and liabilities of the BioCity Group were transferred to BioCity Group Limited, however, as the majority of shareholders before and after the transaction remained the same the transaction is therefore a Group reconstruction.

There is currently no specific guidance on accounting for Group reconstructions such as this transaction under IFRSs. In the absence of specific guidance, entities should select an appropriate accounting policy and IFRS permits the consideration of pronouncements of other standard-setting bodies. This Group reconstruction as scoped out of IFRS 3 has therefore been accounted for using merger accounting principles in accordance with UK GAAP. Merger accounting is a technique used in preparing consolidated accounts resulting in the following practical effects:

- No amount is recognised as consideration for goodwill or negative goodwill;
- The consolidated Statement of Comprehensive Income includes the profits of each Company in the Group for the entire period, regardless of the date of the reconstruction, and the comparative amounts in the consolidated financial statements are restated to the aggregate of the amounts recorded by the Group, as if it has always been in existence;
- The profit and loss account reserve includes the cumulative results of the Group, regardless of the date of the reconstruction, and the comparative amounts in the Balance Sheet are restated to the aggregate of the profit and loss account reserves recorded by the Group; and
- A merger reserve is created being the premium on equity consideration used in the acquisition of the trade, assets and liabilities of BioCity Nottingham Limited, by BioCity Group Limited in 2015 plus cumulative profits or losses attributable to equity holders of the Group as at the combination date.

The effect of using merger accounting principles on share capital and share premium is that the capital and share premium that existed as at the point BioCity Group Limited acquired the trade, assets and liabilities of BioCity Nottingham Limited is accounted for as if it had been in existence as at the opening balance sheet date (1 January 2015).

Going concern

In the year, the Group made a loss attributable to members of the Company of £571,000 (2018: £1,710,000) but continues to be cash positive as at 31 December 2019. The Group has net current assets of £2,591,000 (2018: £2,668,000) and equity attributable to the owners of the Company of £4,421,000 (2018: £4,992,000). Included within cash is £1,784,000 (2018: £2,652,000) in relation to an exceptional receipt of £5,000,000 received from AstraZeneca (UK) Limited, a non-controlling shareholder of subsidiary Alderley Park Ventures Limited, at the end of 2014. The profit before investment income, other gains and losses, finance gains/(costs), tax, depreciation, amortisation and adjusted for exceptional items, being adjusted EBITDA, amounted to £1,279,000 (2018: £879,000). The Board anticipates adjusted EBITDA for 2020 will be similar to the adjusted EBITDA for 2019.

The Board has reviewed the Group's forecasts for a minimum period of twelve months from the date of the signing of these financial statements, taking due consideration of the associated risks and uncertainties, and is confident that the Group is in a satisfactory position. Events in relation to the COVID-19 outbreak continue to evolve rapidly and the Group is monitoring the situation closely as it develops. The Group has assessed the potential impact of the COVID-19 outbreak under the current circumstances and has begun implementing certain cash saving measures to maintain an appropriate working capital cash balance without impairing the Group's ability to service its customers. The Group's customers predominantly operate in the life science, healthcare and medical technology sectors, which are considered more resilient in times of recession due to the nature of their funding and a reduced volume of direct to consumer transactions. Additionally many of the Groups customers provide services to the pharmaceutical sector which similarly tends to be less impacted in times of recession as Governments, healthcare providers and other key stakeholders continue to purchase these products. Having considered the factors above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the financial statements.

Property, plant and equipment

Assets are stated at cost, net of depreciation and any provision for impairment. Assets gifted to the Company in 2012 were recorded in the Balance Sheet at the market value at the date the assets were gifted, this being the deemed cost.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

The gain was recognised through the Statement of Comprehensive Income.

Property, plant and equipment is derecognised in the Consolidated and Company Balance Sheet on disposal.

Grants received for the purchase of property, plant and equipment are deducted from the gross cost of the assets acquired.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Land	Not depreciated
Freehold buildings	5% per annum straight line
Leasehold improvements	5% to 10% per annum straight line
Right-of-use assets	over the term of the lease
Plant and machinery	10% to 33% per annum straight line
Fixtures and fittings	10% per annum straight line
Equipment	10% to 33% per annum straight line

Leases

The Group as lessee

In accordance with IFRS 16, the Group recognises right-of-use assets under lease agreements in which it is the lessee. The underlying assets relate to property or equipment. The right-of-use assets comprise the initial measurement of the corresponding lease liability and payments made at or before the commencement day as well as any initial direct costs. Furthermore, lease incentives are recognised separately and amortised during the lease term. The corresponding lease liability is included in the Balance Sheet as a lease liability. Existing lease liabilities have been reclassified from borrowings to finance lease liabilities into the new separate line item lease liability where relevant.

The right-of-use asset will be depreciated over the lease-term and if necessary impaired in accordance with applicable standards. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No modification or reassessments of the lease liability have been made during the reporting period.

Pension costs

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the Consolidated Statement of Comprehensive Income.

Borrowing costs

Borrowing costs relating to loans are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

Foreign currency

The Group's functional and reporting currency is sterling.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet Date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Balance Sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Grants

Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are deducted from the gross cost amount of the asset acquired.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they become receivable.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

I. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All purchases or sales of financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets held by the Group are classified as either fair value through profit or loss, or as loans and trade receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Consolidated Statement of Comprehensive Income.

Investment valuation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at a specific point in time.

The fair value of each investment held by the Group is assessed at the Group's financial year end date (currently 31 December) and at various points during each financial year when deemed appropriate.

Quoted investments

The fair values of quoted investments are based on bid process at the reporting date.

Unquoted investments

The fair value of unquoted investments is established using the International Private Equity and Venture Capital Valuation Guidelines. The valuation methodology most commonly used by the Group is 'price of recent investment', which can be either the 'price of recent funding round' or 'cost' in the case of a new direct investment.

Given the nature of the Group's investments in early-stage companies, where there are often no current and no visible short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of commercial development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on observable market data, that being the price of a recent investment.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Unquoted investments - continued

The Group considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly, where there has been any recent investment by third parties, the price of that investment will generally provide a basis for the valuation. Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical or commercial performance of the underlying business.

If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies, which are referred to in the IPEVCV guidelines, being principally financial measures ('enterprise values'), such as trading and profitability expectations and prices of comparable recent transactions where such information is available, reliable and relevant, requiring the Directors to make assumptions over the timing and nature of future revenues when calculating fair value. Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since become impaired.

Impairment of financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses on continuing operations are recognised in the Consolidated Statement of Comprehensive Income in those categories consistent with the function of the impaired asset

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Comprehensive Income unless the asset is carried at the re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are initially measured at fair value and, if material, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Revenue

Revenue is measured in accordance with the relevant accounting standards. For all contracts within the scope of IFRS 15, the Company determines whether enforceable rights and obligations have been created with the customer and recognises revenue based on the total transaction price as estimated at the contract inception, being the amount which the Company expects to be entitled and has present enforceable rights under the contract. Revenue is allocated proportionally across the contract performance obligations and recognised either over time or at a point in time as appropriate.

Revenue included in the Consolidated Statement of Comprehensive Income represents amounts invoiced during the year, exclusive of Value Added Tax. Revenue attributable to licence fees, facility services, business support services and compound management services provided are recognised on a monthly basis and are accrued or deferred as necessary.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is recognised on trade receivables if there is considered to be expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the Consolidated Statement of Comprehensive Income in other operating expenses.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2019**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Exceptional items

Exceptional items, which are presented on the face of the Consolidated Statement of Comprehensive Income, are those material items of operational income and expenditure which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and the assessment of trends in financial performance.

Share-based compensation

The Group operates a share option scheme for certain employees of the Group. In accordance with IFRS 2, for all grants of share options and awards, the cost of equity-settled transactions is measured by reference to their fair value at the date at which they are granted. The Black-Scholes model is used to determine the fair value of options granted.

The cost of equity-settled share transactions is recognised, together with a corresponding increase in equity, over the period until the award vests. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each reporting date, the cumulative expense recognised for equity-based transactions reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors at that date, will ultimately vest.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Directors have identified two matters which involve critical accounting judgement or key sources of estimation uncertainty. These relate to the use of estimates and judgements in determining the fair value of investments and the assumptions used in determining the appropriateness of the going concern statement. The approach to both areas is disclosed in the accounting policies noted above.

Adoption of new International Financial Reporting Standards

Application of new and revised International Financial Reporting Standards ("IFRSs")

The following new and amended IFRSs are effective for the 2019 Financial Statements in addition to those disclosed on page 29. The adoption of this Standard has not had any material impact on the disclosures or on the amounts reported in the Group's or the Parent Company's Financial Statements.

- IFRIC 22 Foreign currency transactions and advance consideration

As at 31 December 2019, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

- Amendments to IFRS 9 Prepayment Features with Negative Compensation¹
- Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures¹
- Annual Improvements to IFRS Standards 2015-2017¹
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement¹
- IFRIC 23 Uncertainty over income tax treatments¹
- IFRS 17 Insurance Contracts²

¹ Effective for annual periods commencing on or after 1 January 2019.

² Effective for annual periods commencing on or after 1 January 2021

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2019**2. REVENUE****Revenue**

Revenue represents amounts invoiced to third parties, derived from the Group's principal activity being the incubation of early stage bioscience and medical technology companies.

Revenue by category	2019 £'000	2018 £'000
Licence fees	7,274	6,173
Facility services	1,244	1,128
Business support services	1,152	806
Compound management	-	239
	<hr/> 9,670	<hr/> 8,346
Grant income	461	931
Investment income (see note 4)	30	40
Total revenue as per IFRS 15	<hr/> 10,161	<hr/> 9,317

Information about major customers

Included in revenues is approximately £2,122,000 (2018: £1,793,000) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue in 2019 or 2018.

Segmental information

For management purposes the Group is currently organised into one business segment, which is the incubation of early stage bioscience and medical technology companies. Since this is the only primary reporting segment, no further information has been presented.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****3. LOSS BEFORE TAXATION**

2019	2018
£'000	£'000

The Group's loss before taxation is stated after (crediting)/charging

Grant income	(461)	(931)
Depreciation of owned property, plant and equipment	360	621
Depreciation of right of use assets	882	751
Other operating leases - land and buildings	-	27
Auditor's remuneration	31	46

2019	2018
£'000	£'000

Fees payable to the Company's auditor and their associates for the audit of the consolidated annual financial statements

15	24
----	----

Fees payable to the Company's auditor and their associates for the audit of the subsidiaries financial statements

16	22
----	----

Total audit fees

31	46
----	----

Taxation compliance services

-	-
---	---

Other services

7	8
---	---

Total non-audit fees

7	8
---	---

4. INVESTMENT INCOME

2019	2018
£'000	£'000

Interest receivable

30	40
----	----

5. OTHER GAINS AND LOSSES

2019	2018
£'000	£'000

Loss on disposal of property, plant and equipment

(6)	(5)
-----	-----

Change in the fair value of trading investments at the year end

688	181
-----	-----

Profit on sale of business division

-	13
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Profit on disposal of non-capitalised assets

30	10
----	----

712	199
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BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****6. FINANCE COSTS**

	2019 £'000	2018 £'000
Interest and charges on bank overdrafts and other loans	(220)	(114)
Foreign exchange gains / losses	-	(21)
Interest expense on lease liabilities	(1,028)	(929)
Other finance costs	-	(96)
	<u>(1,248)</u>	<u>(1,160)</u>

7. STAFF COSTS

Staff costs during the year including Directors:

	2019 £'000	2018 £'000
Wages and salaries	2,436	2,475
Social security costs	239	247
Other pension costs	138	136
	<u>2,813</u>	<u>2,858</u>

Other pension costs include the defined contribution plan charge.

Average number of persons employed

Management and administration	59	61
-------------------------------	----	----

Highest paid Director:

	2019 £'000	2018 £'000
Emoluments	175	199
Pension contribution	16	17
	<u>191</u>	<u>216</u>

3 Directors (2018: 2) received contributions to defined contribution personal pension plans. Directors' emoluments are disclosed separately in note 22.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

8. TAXATION	2019 £'000	2018 £'000
Current tax:		
UK Corporation tax	-	-
Deferred tax:		
Current year	(39)	376
Adjustment in respect of previous years	17	-
Effect of changes in tax rates	4	-
Total deferred tax	(18)	376
Total tax (credit)/charge for the year	(18)	376

Factors affecting the tax credit for the year

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Loss before taxation	(469)	(1,414)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(89)	(269)
Effects of:		
Adjustments in respect of prior years	17	-
Expenses not deductible for tax purposes	96	519
Income not taxable for tax purposes	(159)	(345)
Disposal of subsidiary	-	376
Deferred tax not provided	117	95
Tax (income)/expense	(18)	376

At the balance sheet date, a reduction in the rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020 has been substantively enacted. After the balance sheet date, the Government announced in the 2020 Budget that the rate would not be reduced to 17%.

BioCity Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	(1) Land and Buildings £'000	(2) Leasehold Improvements £'000	(3) Fixtures and Fittings £'000	(4) Plant and Machinery £'000	Equipment £'000	Total £'000
COST						
At 1 January 2018	22,313	15,053	283	7,700	553	45,902
Grants	(974)	(10,957)	(40)	(263)	(82)	(12,316)
Net cost	21,339	4,096	243	7,437	471	33,586
Additions	173	15	7	8	41	244
Disposals	-	-	(24)	(6,514)	(145)	(6,683)
At 31 December 2018	21,512	4,111	226	931	367	27,147
Additions	1,616	76	5	31	51	1,779
Disposals	-	-	(9)	(30)	(65)	(104)
At 31 December 2019	23,128	4,187	222	932	353	28,822
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	619	1,088	146	5,642	314	7,809
Charge for the year	764	217	17	303	71	1,372
Disposals	-	-	(20)	(5,085)	(143)	(5,248)
At 31 December 2018	1,383	1,305	143	860	242	3,933
Charge for the year	900	220	14	26	82	1,242
Disposals	-	-	(7)	(27)	(65)	(99)
At 31 December 2019	2,283	1,525	150	859	259	5,076
NET BOOK VALUE						
At 31 December 2019	20,845	2,662	72	73	94	23,746
At 31 December 2018	20,129	2,806	83	71	125	23,214

(1) Includes right of use of assets with a cost of £21,254,000 and accumulated depreciation of £2,209,000, with a Net Book Value of £19,045,000

(2) Under the terms of a grant for £1.2m received in 2015, the Group is required to retain the asset up to April 2021 to avoid potential clawback of amounts received from the grant.

(3) Under the terms of various grants for £12m received between 2004 and 2008, the Group is required to retain the assets for 20 years to avoid potential clawback of amounts received from the grant.

(4) Includes right of use assets with a cost of £27,000 and accumulated depreciation of £18,000, with a Net Book Value of £9,000.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

9. PROPERTY, PLANT AND EQUIPMENT - continued

Assets gifted to the Group previously were at market value at the date the gift was made. Gifted plant and machinery was valued by Conex Chromatography Systems Limited, a Company whose business and experience is in the maintenance and sale of secondhand laboratory equipment. The gifted land was valued independently by Montagu Evans, a firm of chartered surveyors and property consultants and the cost in the table above includes an increase in valuation of £250,000 from the amount initially recognised in the accounts. The land originally had a carrying value of £1,000,000. As depreciation on gifted assets is charged to the Consolidated Statement of Comprehensive Income, an equal amount is transferred from other reserves to the profit and loss account.

COMPANY	(1) Land and Buildings To £'000	(2) Leasehold Improvements £'000	(3) Fixtures and Fittings £'000	(4) Plant and Machinery £'000	Equipment £'000	Total £'000
COST						
At 1 January 2018	3,465	17,030	172	177	289	21,133
Additions	15	-	7	6	25	53
Disposals	-	-	(21)	(24)	(108)	(153)
At 31 December 2018	3,480	17,030	158	159	206	21,033
Additions	76	-	-	27	20	123
Disposals	-	-	(6)	(21)	(51)	(78)
At 31 December 2019	3,556	17,030	152	165	175	21,078

ACCUMULATED DEPRECIATION AND IMPAIRMENT

At 1 January 2018	1,005	427	129	95	219	1,875
Charge for the year	183	584	9	19	42	837
Disposals	-	-	(19)	(20)	(108)	(147)
At 31 December 2018	1,188	1,011	119	94	153	2,565
Charge for the year	185	584	8	19	35	831
Disposals	-	-	(6)	(21)	(49)	(76)
At 31 December 2019	1,373	1,595	121	92	139	3,320
NET BOOK VALUE						
At 31 December 2019	2,183	15,435	31	73	36	17,758
At 31 December 2018	2,292	16,019	39	65	53	18,468

(1) Includes right of use of assets with a cost of £17,030,000 and accumulated depreciation of £1,595,000, with a Net Book Value of £15,435,000.

(2) Includes right of use of assets with a cost of £14,000 and accumulated depreciation of £8,000, with a Net Book Value of £6,000

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

10. INVESTMENTS

GROUP Valuation	Equity Investment £'000	Convertible Loans £'000	Total £'000
At 1 January 2018	811	142	953
Additions	2,221	355	2,576
Disposal	-	(50)	(50)
Increase in fair value	181	-	181
At 31 December 2018	3,213	447	3,660
Additions	1,276	150	1,426
Disposal	(148)	(130)	(278)
Increase in fair value	688	-	688
At 31 December 2019	5,029	467	5,496

The Group's equity investments at the Balance Sheet date in the share capital of companies include the following.

Name of undertaking	Country of incorporation	Holding	Proportion held	Nature of business
CompanDx Ltd	England & Wales	Ordinary	2%	Pharmaceuticals
Alderley Analytical Ltd	England & Wales	Ordinary	19%	Pharmaceuticals
Neudrive Ltd	England & Wales	Ordinary	2%	Pharmaceuticals
Fast BioPharma Ltd	England & Wales	A Ordinary	48%	Pharmaceuticals
BiVictriX Ltd	England & Wales	Ordinary	19%	Pharmaceuticals
Xenogenesis Ltd	England & Wales	Ordinary	5%	Pharmaceuticals
Ibisvision Ltd	Scotland	Ordinary	<1%	Pharmaceuticals
Roylance Stability Storage Ltd	Scotland	Ordinary	35%	Pharmaceuticals
Metalinear Ltd	England & Wales	Ordinary	20%	Pharmaceuticals
Intermedi Group Ltd	England & Wales	Ordinary	2%	Pharmaceuticals
Neusensor Ltd	England & Wales	Ordinary	2%	Pharmaceuticals
Ebar Initiatives Ltd	Scotland	Ordinary	<1%	Pharmaceuticals
Novasound Ltd	Scotland	Ordinary	<1%	Pharmaceuticals
Footfalls & Heartbeats (UK) Ltd	England & Wales	Ordinary	1%	Pharmaceuticals
Enterobiotix Ltd	Scotland	Ordinary	<1%	Pharmaceuticals
BioAscent Discovery Ltd	Scotland	Ordinary	50%	Pharmaceuticals
Bio-Images Drug Delivery Ltd	Scotland	Ordinary	2%	Pharmaceuticals
Physiomedics Limited	Scotland	Ordinary	<1%	Pharmaceuticals
Incus Performance Ltd	England & Wales	Ordinary	14%	Pharmaceuticals
NuVision Biotherapies Limited	England & Wales	Ordinary	4%	Pharmaceuticals
Cuantec Limited	Scotland	Ordinary	3%	Pharmaceuticals
Maxwellia Limited	England & Wales	Ordinary	9%	Pharmaceuticals
Kinomica Limited	England & Wales	Ordinary	16%	Pharmaceuticals
Annum Limited	England & Wales	Ordinary	10%	Pharmaceuticals
Rimi Therapeutics Ltd	England & Wales	Ordinary	7%	Pharmaceuticals

10. INVESTMENTS – continued

On 20 June 2018 BioAscent Discovery Limited received an investment from a third party and as a result BioAscent Discovery Limited is no longer a subsidiary company. From 20 June 2018 its results were no longer consolidated in the Group's financial statements. The Group's remaining shareholding in BioAscent Discovery Limited is held as an investment on the Group's Balance Sheet and amounts to £1.6 million.

The Group holds the following convertible loans:

A loan for £12,500 that bears interest at 7% per annum and is convertible into ordinary shares at any time as determined by the Group. The loan becomes repayable 5 years from the date of drawdown if not previously converted.

A loan for £50,000 that bears interest at 5% per annum is convertible on the completion of a fundraising round. The loan becomes repayable in March 2021.

A loan for £50,000 that bears interest at 5% per annum is convertible on the completion of a fundraising round. The loan becomes repayable in June 2021.

A loan for £50,000 that bears interest at 5% per annum is convertible on the completion of a fundraising round. The loan becomes repayable in June 2021.

A loan of £55,000 which is convertible on the earlier of a funding round or sale or listing. The loan becomes repayable in July 2021.

A loan of £100,000 which is convertible on completion of a funding round into shares equivalent to those subscribed for in that funding round. The loan becomes repayable on November 2020 and bears interest at rate of 4% per annum.

A loan for £150,000 which is convertible on completion of a funding round into shares equivalent to those subscribed for in that funding round. The loan becomes repayable in December 2020 and bears interest at 5% per annum.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****10. INVESTMENTS – continued**

The company's investments at the Balance Sheet date in the share capital of companies include the following:

COMPANY

**Shares in
Subsidiary
Undertakings
£'000**

COST

At 1 January 2018	2,135
Additions	620
At 31 December 2019	2,755

NET BOOK VALUE

At 31 December 2019	2,755
At 31 December 2018	2,135

The Group consists of a Parent Company, BioCity Group Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by the Parent Company. Information about the composition of the Group at the end of the reporting period is as follows:

Name of undertaking	Country of incorporation	Holding	Proportion held	Nature of business
BioCity Scotland Limited (2)	Scotland	Ordinary	100%	Life sciences incubator
MediCity Nottingham Limited (1)	England & Wales	Ordinary	100%	Life sciences incubator
Alderley Park Ventures Limited (1)	England & Wales	Ordinary	50%	Investments
BioCity Investments Limited (1)	England & Wales	Ordinary	100%	Investments
BioCity Limited (1)	England & Wales	Ordinary	100%	Dormant
MediCity Limited (1)	England & Wales	Ordinary	100%	Dormant

(1) The registered office for these companies is Pennyfoot Street, Nottingham NG1 1GF.

(2) The registered office for this company is Bo'ness Road, Newhouse, Lanarkshire, Scotland ML1 5UH

MediCity Limited (registered number 11610098) and BioCity Limited (registered number 09268034) are dormant companies and have been for the full financial year ended 31 December 2019. Financial Statements for MediCity Limited and BioCity Limited have not been prepared in accordance with section 394A of the Companies Act 2006 and have not been filed in accordance with section 448A of the Companies Act 2006.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****11. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current:				
Trade receivables	669	637	292	319
Loss allowance for trade receivables	(263)	(136)	-	(1)
Amounts owed by Group undertakings	-	-	1,336	735
Other receivables	34	968	-	841
Prepayments	539	400	436	318
Accrued income	585	453	471	339
	1,564	2,322	2,535	2,551

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

The ageing of trade receivables at the year-end is shown in the table below:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Not due	209	176	171	148
0-30 days	195	243	88	159
31-60 days	62	26	30	9
61-90 days	13	18	3	1
91+ days	190	174	-	2
	669	637	292	319
Provision for impairments of trade receivables	(263)	(136)	-	(1)
Total	406	501	292	318

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2019**11. TRADE AND OTHER RECEIVABLES - continued**

Movements in the provision for impairments of trade receivables are shown in the table below.

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	136	70	1	11
Impairment losses recognized	171	190	-	1
Amounts written off during the year as uncollectible	(35)	(102)	-	-
Amounts recovered during the year	(9)	(10)	(1)	(11)
Impairment losses reversed	-	(12)	-	-
Balance at 31 December 2019	263	136	-	1

The Directors consider that the carrying value of trade and other receivables is approximately equal to their fair value

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,499	3,325	2,439	665

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current				
Trade payables	1,033	721	873	648
Other taxation and social security	169	185	168	149
Amounts owed to Group undertakings	-	-	4	-
Other payables	536	555	245	269
Accruals	626	764	258	349
	2,364	2,225	1,548	1,415

The Directors consider that the carrying value of trade and other payables is approximately equal to their fair value

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****14 DEFERRED REVENUE**

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current				
Arising from advance payments from customers	169	143	39	42

15 BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current				
Bank loans	49	52	-	-
Other loans	613	435	380	245
Lease liabilities	277	124	80	-
	939	611	460	245
Non current				
Bank loans	-	49	-	-
Other loans	4,193	2,537	3,845	1,940
Lease liabilities	20,938	19,785	17,328	17,381
	25,131	22,371	21,173	19,321

The Group has one principal bank loan of £49,000. The loan was taken out in October 2015. Repayments commenced in November 2015 and will continue until November 2020. The loan is secured by a floating charge over part of the Groups' land, which has a carrying value of £450,000. The loan carries interest at 3% above base rate and the loan approximates to fair value.

Other loans include unsecured loans of £389,000 (2018: £373,000) due to Nottingham Trent University. One loan for £150,000 accrues interest at 3% above the base rate and is repayable in quarterly instalments from June 2020. The remaining loan for £200,000 accrues interest at 5% and is wholly repayable in December 2020.

Other loans include an unsecured loan of £372,000 (2018: 358,000) due to The University of Nottingham. The loan accrues interest at 3% above the base rate and is repayable in quarterly instalments from May 2020.

Other loans include an unsecured loan of £76,000 (2018: £152,000) due to Boots Property Limited. The loan is interest free and repayable in 2020.

A further unsecured loan of £505,000 (2018: £635,000) is included within non-current other loans in the table above. This loan was provided by a Local Enterprise Partnership in 2015 and is repayable on a quarterly basis over a five-year period, commencing two years after the commencement of the loan.

Other loans also include an unsecured loan of £1,462,000 (2018: £1,454,000). This loan was provided by Nottingham City Council in 2017 and is repayable on a quarterly basis over 30 years and carries a fixed rate of interest of 4.8%.

Other loans also include convertible loans with Business Growth Fund and Blue Skies Investments Limited which were taken out during the year and are due for redemption in January 2023. The total loan balance outstanding at the end of the year was £2,035,000.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****16. OPERATING LEASE ARRANGEMENTS**

The maturity analysis of contractual undiscounted cash flows for lease liabilities is as follows.

	2019 £'000	2018 £'000
Within one year	1,263	1,015
Between one and five years	6,798	4,753
In more than five years	29,349	30,764
	<u>37,410</u>	<u>36,532</u>

17. DEFERRED TAX

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Provided				
Balance at 1 January	45	(331)	45	45
Adjustment in respect of prior periods	17	-	17	-
Deferred tax charge for the period	(35)	376	(35)	-
Balance at 31 December	<u>27</u>	<u>45</u>	<u>27</u>	<u>45</u>
	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets	93	26	94	65
Temporary differences trading	-	(4)	-	(3)
Losses	(668)	(436)	(67)	(17)
Deferred tax not provided	602	459	-	-
Balance at 31 December	<u>27</u>	<u>45</u>	<u>27</u>	<u>45</u>

A deferred tax asset of £602,000 has not been recognised at 31 December 2019 (2018: £159,000), as it is uncertain whether capital allowances and losses brought forward will be utilised in the foreseeable future.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

18 CALLED UP SHARE CAPITAL

Allotted issued and fully paid				
Number	Class	Nominal value	2019 £'000	2018 £'000
2,241,570	Ordinary shares	£0.10	224	224
369,999	Growth Shares	£0.0001	-	-
			<hr/>	<hr/>
			224	224
			<hr/>	<hr/>
SHARE PREMIUM				
			Group £'000	Company £'000
Balance at 31 December 2018 and 31 December 2019			<hr/>	<hr/>
			2,758	2,758
			<hr/>	<hr/>

The effect of using merger accounting principles on share capital and share premium is that the share capital and share premium that existed as at the point BioCity Group Limited acquired the trade, assets and liabilities of BioCity Nottingham Limited is accounted for as if it had been in existence as at the opening Balance Sheet date (1 January 2015).

The Ordinary shares carry the usual voting rights, entitlement to an equal distribution of capital upon winding up the business and entitlement to dividends. The growth shares do not carry such rights.

OTHER RESERVES

The other reserves include land and plant and equipment that were gifted to the Group in 2012. These were incorporated into the Balance Sheet at the market values at the date the gift was made. This reserve will be realised on disposal of the gifted assets to a third party outside of the Group, or as the assets are depreciated, or impaired in the books of the Group.

MERGER RESERVE

The merger reserve relates to the premium on equity consideration used in the acquisition of the trade, assets and liabilities of BioCity Nottingham Limited, by BioCity Group Limited in 2015 plus cumulative retained earnings attributable to equity holders of the Group as at the combination date. See note 1 for further details.

PROFIT AND LOSS ACCOUNT RESERVE

The profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****19. FINANCIAL INSTRUMENTS****Categories of financial instruments**

For the purposes of risk management, the following classes of financial assets and their carrying values (at amortised cost) have been identified:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,499	3,325	2,439	665
Loans and receivables	1,370	2,325	640	1,454
	<u>5,869</u>	<u>5,650</u>	<u>3,079</u>	<u>2,119</u>

Of the Group's financial assets identified above, £5,664,000 (2018: £5,215,000) fall due within one year.

All of the Company's financial assets identified above fall due within one year.

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purposes of risk management, the following classes of financial liabilities and their carrying values (at amortised cost) have been identified:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade and other payables	2,195	2,040	1,375	1,266
Borrowings	26,070	22,982	21,633	19,540
	<u>28,265</u>	<u>25,022</u>	<u>23,008</u>	<u>20,806</u>

Of the Group's financial liabilities identified above, £3,134,000 (31 December 2018: £2,651,000) fall due within one year. Of the Company's financial liabilities identified above, £1,835,000 (31 December 2018: £1,511,000) fall due within one year.

Fair value of financial assets and liabilities

The Directors consider there to be no material difference between the carrying value and the fair value of the Group's or Company's financial assets and liabilities at the Balance Sheet Date.

Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and reserves comprising profit and loss account and a revaluation reserve as disclosed in the Statement of Changes in Equity.

Externally imposed capital requirement

The Group has one bank loan and seven other loans outstanding at the Balance Sheet date, details of which are included in note 15. The Directors consider that all requirements and covenants have been complied with during the period covered by the financial statements and to the date the financial statements were authorised for issue.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2019**

19. FINANCIAL INSTRUMENTS - continued

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to these financial statements

Financial risk management

The Group's and Company's objective in using financial instruments is to maximise the returns on funds held on deposit and to minimise exchange rate risk where appropriate. Balance Sheets at 31 December 2019 and 31 December 2018 are not necessarily representative of the positions throughout the year, as cash and cash equivalents fluctuate considerably throughout the year depending on the timing of working capital receipts and payments.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments is undertaken.

The Group is funded principally through investments and grant funding and it invests its funds in highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group's policy throughout the period has been to minimise risk by placing funds in low-risk cash deposits, whilst ensuring the Group receives a reasonable return on the funds placed on deposit.

Foreign currency risk management

The Group's functional and reporting currency is sterling.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Of the Group's financial assets, £5,664,000 falls due within one year and £205,000 falls due after more than one year. Of the Group's financial liabilities, £3,134,000 falls due within one year and £25,131,000 falls due after more than one year.

Credit risk management

Credit risk represents the risk that counterparties will default on contractual obligations resulting in financial loss to the Group. The Group actively monitors its outstanding trade receivable balances and has established credit control procedures.

The Group's risk on liquid funds is limited because the Group's funds are held with highly rated banking institutions.

The carrying value of financial assets recorded in the financial statements, which are net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Market risk management

The Group's exposure to market risk primarily comprises interest rate exposure. Group funds are invested in cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

Interest rate risk management

The Group has one bank loan and a further two loans outstanding at the Balance Sheet date where interest is fixed at 3% above the base rate.

It is estimated that a movement of 0.5% in interest rates during the year, which represents management's assessment of a reasonably possible change, with all other variables remaining constant, would have an immaterial impact on the Group's loss after tax.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****19. FINANCIAL INSTRUMENTS - continued**

Cash and cash equivalents earned £30,000 of investment income during the year (2018: £30,000) and if the interest rate had been 0.5% higher or lower during the year, it would have increased or decreased investment income by approximately £20,000.

Maturing profile of financial liabilities**GROUP**

	Weighted average effective interest rate (%)	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
31 December 2018					
Non-interest-bearing payables		2,301	76	-	2,377
Variable rate borrowings	3.75%	55	623	-	678
Fixed rate borrowings	4.43%	450	923	2,216	3,589
Lease liabilities	4.8%	1,015	4,753	30,764	36,532
		<u>3,821</u>	<u>6,375</u>	<u>32,980</u>	<u>43,176</u>
31 December 2019					
Non-interest-bearing payables		2,439	-	-	2,439
Variable rate borrowings	3.75%	192	426	-	618
Fixed rate borrowings	4.49%	502	738	2,098	3,338
Lease liabilities	4.8%	1,263	6,798	29,349	37,410
		<u>4,396</u>	<u>7,962</u>	<u>31,447</u>	<u>43,805</u>

All Group borrowings are in pounds sterling.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****19. FINANCIAL INSTRUMENTS - continued****Maturing profile of financial liabilities****COMPANY**

	Weighted average effective interest rate (%)	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
31 December 2018					
Non-interest-bearing payables		1,415	-	-	1,415
Variable rate borrowings	3.75%	54	623	-	677
Fixed rate borrowings	4.43%	324	377	2,216	2,917
Lease liabilities	4.8%	776	3,819	28,436	33,031
		<u>2,569</u>	<u>4,819</u>	<u>30,652</u>	<u>38,040</u>
31 December 2019					
Non-interest-bearing payables		1,548	-	-	1,548
Variable rate borrowings	3.75%	192	426	-	618
Fixed rate borrowings	4.82%	334	377	2,098	2,809
Lease liabilities	4.8%	893	4,952	26,402	32,247
		<u>2,967</u>	<u>5,755</u>	<u>28,500</u>	<u>37,222</u>

All Group borrowings are in pounds sterling.

BioCity Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

19. FINANCIAL INSTRUMENTS - continued

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group does not have any instruments valued at level 1 or 2. There are no financial assets or liabilities subsequently measured at fair value on a Level 3 fair value measurement basis. The Directors consider that the carrying value of the financial assets and liabilities recognised approximates to their fair values.

20. PENSIONS

The Group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees and are independent from those of the Group.

The pension costs charge for the year was £137,650 (2018: £136,027). The pension accrual being contributions due to the pension plan at 31 December 2019 was £Nil (2018: £18,336).

21. SHARE-BASED PAYMENTS

	2019		2018	
	Number of share options	Weighted average price (£)	Number of share options	Weighted average price (£)
Outstanding at beginning of the year	513,414	1.21	496,951	1.21
Granted during the year	-	1.21	19,190	1.21
Forfeited during the year	(23,851)	1.21	(2,727)	1.21
Outstanding at end of the year	489,563		513,414	
Exercisable at end of the year	-	-	-	-

The Group operates a share option scheme for employees of the Group. Options are exercisable at a fixed price per share and vest over four years in equal instalments. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options are exercised.

The Directors have considered the fair value of the share options and are of the opinion that overall there is no material difference therefore, there is no share-based payments charge included in the Consolidated Statement of Comprehensive Income.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2019**

22. RELATED PARTY TRANSACTIONS

GROUP

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with related parties that are not a member of the Group are disclosed below:

Xenogenesis Limited

Dr G Crocker, a Director of BioCity Group Limited was also a Director during the year of Xenogenesis Limited. Xenogenesis Limited was a customer of the Group during the year.

During the year sales totalling £177,593 (2018: £144,296) were made to Xenogenesis Limited on a normal commercial basis. At 31 December 2019 the Group had a year-end receivable balance of £3,055 (2018: £4,316).

The Group has a £192,608 equity investment in Xenogenesis Limited. Details of this investment are provided in note 10.

Locate Bio Limited

Professor K Shakesheff, a Director of BioCity Group Limited was also a Director of Locate Bio Limited during the year. Locate Bio Limited was a customer of the Group during the year.

During the year sales totalling £102,335 (2018: £87,475) were made to Locate Bio Limited on a normal commercial basis. At 31 December 2019 the Group had a year-end receivable balance of £1,044 (2018: £2,253).

Bio-Images Drug Delivery Limited

Dr G Crocker, a Director of BioCity Group Limited was also a Director of Bio-Images Drug Delivery Limited during the year. Bio-Images Drug Delivery Limited was a customer of the Group during the year.

The Group has a £194,005 equity investment in Bio Images Drug Discovery Limited. Details of this investment can be found in note 10.

During the year the Group made sales totalling £207,299 (2018: £122,789) to Bio-Images Drug Delivery Limited on a normal commercial basis. At 31 December 2019 the Group had a year-end receivable balance of £2,162 (2018: £2,253 balance payable).

The United Kingdom Science Park Association

Dr G Crocker, a Director of BioCity Group Limited was also a Director of The United Kingdom Science Park Association during the year. The United Kingdom Science Park Association was a supplier of the Group during the year.

During the year the Group made purchases totalling £1,395 to The United Kingdom Science Park Association on a normal commercial basis. At 31 December 2019 the Group had a year-end payable balance of £Nil.

BioCity Group Limited

Notes to the Consolidated Financial Statements - continued **for the Year Ended 31 December 2019**

22. RELATED PARTY TRANSACTIONS - continued

Roylance Stability Storage Limited

T Reid, a Director of BioCity Group Limited was also a Director during the year of Roylance Stability Storage Limited. Roylance Stability Storage Limited was a customer of the Group during the year.

During the year the Group made sales totalling £95,402 (2018: £91,676) to Roylance Stability Storage Limited on a normal commercial basis. At 31 December 2019 the Group had a year-end receivable balance of £217,270 (2018: £117,344).

BioCity Group Limited is the guarantor to a loan of £150,000 taken out by Roylance Stability Storage Limited.

The Group has a £16,400 equity investment in Roylance Stability Storage Limited. Details of the investment are provided in note 10 to these financial statements.

BioAscent Discovery Limited

Dr G Crocker, a Director of BioCity Group Limited was also a Director of BioAscent Discovery Limited during the year. BioAscent Discovery Limited was a customer of the Group during the year.

During the year the Group made sales totalling £557,149 (2018: £460,107) to BioAscent Discovery Limited on a normal commercial basis. At 31 December 2019 the Group has a year-end receivable balance of £1408 (2018: £842,421).

The Group has a £1,600,000 equity investment in BioAscent Discovery Limited. Details of the investment are provided in note 10 to these financial statements.

The University of Nottingham

The University of Nottingham is a shareholder of BioCity Group Limited.

During the year the Group made purchases from The University of Nottingham of £7,000 (2018: £1,895). At 31 December 2019 the Group had a year-end payable balance of £Nil (2018: £Nil).

During the year the Group made sales to The University of Nottingham of £365 (2018: £Nil). At 31 December 2019 the Group had a year end receivable balance of £Nil (2018: £Nil).

At the year end the Group had an advanced loan of £372,000 (2018: £358,000). The loan accrues interest at 3% above base rate and is repayable in quarterly installments from May 2020.

Nottingham Trent University

Nottingham Trent University is a shareholder of BioCity Group Limited. During the year the Group made sales totalling £2,510 (2018: £881) to Nottingham Trent University on a normal commercial basis. At 31 December 2019 the Group had a year-end receivable balance of £Nil (2018: £540).

At the year end, the Group had an advanced loan of £230,000 (2018: £220,000) from Nottingham Trent University. The loan accrues interest at 5% per annum. The loan is repayable in 2020.

At the year end the Group had a further advanced loan of £159,000 (2018: £152,937). The loan accrues interest at 3% above base rate and is repayable in quarterly installments from June 2020.

The Group leases the Pennyfoot Street property from Nottingham Trent University under a lease expiring in November 2032. The rental payable under the lease is £50,000 per annum.

BioCity Group Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****22. RELATED PARTY TRANSACTIONS - continued****Remuneration of key management personnel**

The remuneration of the Directors, who are the key management personnel of the Group, is set out below.

	2019 £'000	2018 £'000
Short-term employee benefits	512	443
Post-employment benefits	39	30
	<u>551</u>	<u>473</u>

3 Directors (2018: 2) are members of a money purchase pension scheme.

COMPANY

Details of the Company related party transactions with parties outside of the Group are noted above. In addition, the following details of trading within the Group are disclosed in accordance with IAS 24.

	Recharge from subsidiary companies £'000	Recharge to subsidiary companies £'000	Amounts owed by subsidiary companies £'000	Amounts owed to subsidiary companies £'000
Related party Subsidiaries:				
2018	-	540	735	-
2019	-	555	1,336	-

Amounts outstanding are unsecured. No provisions have been made for doubtful debts owed by related parties.

23. POST BALANCE SHEET EVENTS

Since the Balance Sheet date, there has been a global outbreak of coronavirus (COVID-19). On 12 March, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic. Many countries, including the UK, have reacted to contain and delay the spread of the virus, which included extensive social distancing, business closures and travel bans. The directors considered the financial impact of this pandemic and have concluded that the matter is a non-adjusting PBSE. Please refer to the Directors' Report on page 2 for further information.