Orthosonics Limited

Report and Financial Statements

31 December 2016

Registered No. SC127003

Company Information

Directors
M Finegan
M Barry
D Rice
S Kohn

Company Secretaries
D Rice

Auditor
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading RG1 1YE

Bankers
Bank of America
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London E14 5AQ

Registered Office
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115 George Street
Edinburgh
EH2 4JN

Principal place of business
5 Burney Court
Cordwallis Park
Maidenhead
Berkshire
SL6 7BU

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Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Directors of the company

The current directors are shown on page 1.

The directors who have resigned and were appointed during the year and to the date of this report are as follows:

M Royall	(resigned 23 April 2016)
S Kohn	(appointed 1 May 2016)
B Bradnock	(resigned 21 April 2017)

Principal activity

The principal activities of the company include the sale, hire and servicing of medical equipment directly to hospitals and to distributors. The company is the legal manufacturer of an ultrasonic arthroplasty revision instrument and is also actively involved in developing this product.

Dividends

The directors do not recommend a final dividend (2015: £nil). Subsequent to year end, an interim dividend for £3.6m was paid to Orthofix International NV on 29th August 2017 approved by board resolution.

Future developments

On 3rd July 2017 net assets of the company were sold to Orthofix SRL for £2,754,948, along with USA asset sales to Orthofix INC for £607,900 and UK asset sales to Orthofix Ltd for £732,380. Orthosonics Ltd ceased to trade Orthosonics products from the transaction date of the Sale and Asset Purchase Agreement - 3rd July 2017.

Research and development

The company is actively involved in further research and development of its products. Details of how this expenditure is treated in the financial statements is set out in note 2. Initial research has been carried out on the next version of Oscar.

Financial instruments

The company finances its activities with cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Going concern

In undertaking a going concern review, the directors have made enquiries of the directors of the ultimate parent undertaking and reviewed financial and other relevant information of the company including budgets and cash flow forecasts for a period of at least twelve months from the date of signing these financial statements. The ultimate parent undertaking, Orthofix International N.V., has indicated its intention to provide financial support as is necessary for the company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. The directors have concluded that they have no reason to believe that uncertainties exist that may cast significant doubt about the ability of the company to continue as a going concern. Accordingly, the directors have a reasonable expectation that the company will continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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Directors' Report (continued)

Foreign branches

The company has a branch office in Chatham, New Jersey, in the United States of America.

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime under Part 15 and section 417(1) of the Companies Act 2006. Accordingly, no separate Strategic Report has been prepared.

On behalf of the Board

M Barry
Director

18th September 2017

Registered No. SC127003

Directors' Responsibilities Statement

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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Independent Auditor's Report to the members of Orthosonics Limited

We have audited the financial statements of Orthosonics Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, statement of changes in equity, the balance sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report.

Ernst & Young LLP

Ian Oliver (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date 19/9/17

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Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	3	3,812,610	3,658,344
Cost of sales		(1,261,144)	(1,132,598)
Gross profit		2,551,466	2,525,746
Distribution costs		(1,429,765)	(1,441,884)
Administrative expenses	5	(1,214,803)	(1,692,168)
Other Income		93,321	1,312
Operating profit/(loss)	4	219	(606,994)
Interest receivable and similar income		-	3
Interest payable and similar charges		(156)	-
Profit/(loss) on ordinary activities before taxation		63	(606,991)
Tax on profit/(loss) on ordinary activities	8	(3,420)	(32)
Loss for the financial Year		(3,357)	(607,023)
Other comprehensive income for the financial year		-	-
Total comprehensive loss for the financial year		(3,357)	(607,023)

All amounts relate to continuing activities.

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Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £	*Share premium* £	*Retained earnings* £	*Total equity* £
At 1 January 2015	120	166,869	1,975,454	2,142,443
Loss for the financial year and total comprehensive loss	-	-	(607,023)	(607,023)
At 31 December 2015	120	166,869	1,368,431	1,535,420
Loss for the financial year and total comprehensive loss	-	-	(3,357)	(3,357)
At 31 December 2016	120	166,869	1,365,074	1,532,063

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Balance Sheet

At 31 December 2016

	Notes	2016 £	2015 £
Fixed Assets			
Intangible assets	9	42,471	55,238
Tangible assets	10	125,901	160,767
		168,372	216,005
Current assets			
Stocks	11	1,034,886	970,241
Trade debtors		794,706	801,192
Prepayments		18,404	55,124
Cash at bank and in hand		841,232	828,936
		2,689,228	2,655,493
Creditors: amounts falling due within one year			
Trade creditors	12	211,632	486,850
Amounts owed to group undertakings	13	275,874	159,388
Other creditors	12	36,928	22,811
Accruals and deferred income	14	787,579	635,534
		1,312,013	1,304,583
Net current assets		1,377,215	1,350,910
Total assets less current liabilities		1,545,587	1,566,915
Creditors: amounts falling due after more than one year			
Deferred income	14	13,524	31,495
Net assets		1,532,063	1,535,420
Capital and reserves			
Share capital	16	120	120
Share premium		166,869	166,869
Retained earnings		1,365,074	1,368,431
Total equity		1,532,063	1,535,420

Approved and authorised for issue by the board of directors and signed on behalf of the board on 18th September 2017.

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime under Part 15 and section 417(1) of the Companies Act 2006.

M Barry
Director

18.9.17

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Notes to the financial statements

At 31 December 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Orthosonics Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on 18th September 2017 and the balance sheet was signed on the board's behalf by M Barry. Orthosonics Limited is incorporated and domiciled in Scotland.

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in Sterling in round pounds except when otherwise indicated.

The company is a subsidiary of Orthofix International N.V., a company incorporated in Curacao. The results of the company are included in the consolidated financial statements of Orthofix International N.V. which are available from The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, United States of America.

The directors have taken advantage of the exemption in FRS 101 paragraph 8(h) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its ultimate parent undertaking, Orthofix International N.V. publishes group financial statements, which include a consolidated statement of cash flows.

The principal accounting policies adopted by the Company are set out in note 2.

2. Significant accounting policies

Basis of preparation

The accounting policies which follow set out these policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) The requirements of IFRS 7 Financial Instruments Disclosures.

(b) The requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement.

(c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (iv) paragraphs 134 to 136 Capital.

(d) The requirements of paragraphs 10(d), 10(f),39(c) and 134-136 of IAS 1 *Presentation of Financial Statements.*

(e) The requirements of IAS 7 Statement of Cash Flows.

(f) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

(g) The requirements of IAS 8.30 disclosure of new IFRS issued but not yet effective.

(h) The requirements of paragraph 17 of IAS 24 Related Party Disclosures.

(i) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes to the financial statements

at 31 December 2016

2. Significant accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that impact the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Impairment of inventory - provision for excess, slow-moving and obsolete stock

The company applies the corporate policy to provide for excess, obsolete, slow moving and defective stocks. Stock levels are compared with expected usage based on historical sales by individual product. The provision is updated as necessary on a quarterly basis.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effects of future tax planning strategies. Further details are contained in note 8.

Functional & presentation currency

The Company's financial statements are presented in sterling, which is also the company's functional currency.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Dividends

Dividends are recorded in the period in which they are paid or received.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Notes to the financial statements

at 31 December 2016

2. Significant accounting policies (continued)

Tangible fixed assets

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life as follows:

Hire and demonstration equipment -	1 to 5 years
Computers and office equipment -	3 years

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

Leases

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charges to the statement of comprehensive income on a straight line basis over the lease term.

Company as a lessor

Assets leased out under operating leases are included in plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised in turnover on a straight line basis over the lease term.

Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through loans and receivables. The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash, trade and other receivables. These are initially recognised at fair value and subsequently subject to impairment testing. Losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition; purchase cost is on a first-in, first-out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Where necessary, provision is made for excess, obsolete, slow moving and defective stocks.

Notes to the financial statements

at 31 December 2016

2. Significant accounting policies (continued)

Trade and other debtors

Trade debtors, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. A provision for impairment is made on amounts outstanding that are 360 days or more past due. Provision for impairment is made through profit or loss. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash in the balance sheet comprises cash at banks and in hand.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Turnover recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Turnover is recognised as follows:

Sale of goods
Turnover from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which is usually on despatch of the goods.
Warranty income
Turnover from sale of warranties on products is recognised evenly over the life of the warranty contract.
Rental income
Turnover from equipment hired to customers on an operating lease is recognised on a straight-line basis over the hire period.

Notes to the financial statements

at 31 December 2016

3. Turnover

Turnover recognised in the statement of comprehensive income is analysed as follows:

	2016	*2015*
	£	*£*
Sale of goods	2,151,416	1,945,234
Hire of equipment	955,881	1,025,897
Warranty revenue	705,313	687,213
Turnover from continuing operations	3,812,610	3,658,344

Turnover by geographical area

	2016	*2015*
	£	*£*
United Kingdom	1,723,939	2,027,743
Other European countries	592,128	447,224
USA	1,302,733	1,061,505
Rest of the world	193,810	121,872
	3,812,610	3,658,344

4. Operating profit/(loss)

This is stated after charging / (crediting):

		2016	*2015*
		£	*£*
Re-engineering costs (note 5)		-	811,785
Auditor's remuneration	–audit of the financial statements	25,850	33,130
	–taxation services	10,542	3,850
	-other consultancy	500	10,498
Depreciation of owned fixed assets		82,037	97,104
Amortisation of intangible assets		12,767	13,381
Research and development		300,548	98,518
Gain on foreign currency translation		(92,796)	(1,311)
Cost of stocks recognised as an expense (included in cost of sales)		742,034	660,508
Including: - write-down of stocks to net realisable value		12,696	90,433
Operating lease payments		35,302	31,345

5. Exceptional items

	2016	*2015*
	£	*£*
Recognised in arriving at operating profit/(loss) from continuing operations:		
Re-engineering cost	-	811,785

During the year the company incurred costs of £Nil (2015: £811,785) in respect of a project to move the manufacturing operations of the company's key products. The costs did not meet the criteria for capitalisation, as no product enhancement arose from the project.

Notes to the financial statements

at 31 December 2016

6. Directors' remuneration

	2016	2015
	£	£
Aggregate emoluments (note 17)	25,000	25,000

Certain directors' remuneration has been borne by other group companies. Those directors' services to the company do not occupy a significant amount of their time. As such those directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2016 and 31 December 2015.

7. Staff costs

The company has no persons directly employed under contracts of service. Certain affiliates in the Group recharge the company for services rendered to it by their employees.

8. Taxation

(a) Tax charged in the statement of comprehensive income

	2016	2015
	£	£
Current income tax:		
UK corporation tax on the profit/(loss) for the year	-	–
Foreign tax	3,420	32
Current income tax charge	3,420	32
Total current income tax	3,420	32
Deferred tax	-	–
Total expense in the statement of comprehensive income	3,420	32

The tax expenses in the statement of comprehensive income is disclosed as follows:

	2016	2015
Income tax expense on continuing operations	3,420	32

Notes to the financial statements

at 31 December 2016

8. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the statement of comprehensive income for the year differs from the standard rate of corporation tax in the UK of 20 % (2015 – 20.25%). The differences are explained below:

	2016	*2015*
	£	*£*
Profit/(loss) from continuing operations before taxation	63	(606,991)
Tax calculated at UK standard rate of corporation tax of 20% (2015: 20.25%)	13	(122,916)
Effects of:		
Expenses not allowable for tax purposes	-	117
Depreciation in excess of capital allowances	14,817	19,664
Group relief surrendered	-	103,135
Utilisation of losses brought forward	(14,830)	-
Foreign taxes	3,420	32
Total tax expense reported in the statement of comprehensive income	3,420	32

(c) Deferred tax

The unrecognised deferred tax asset is made up as follows:

	2016	*2015*
	£	*£*
Decelerated capital allowances	257,536	262,747
Unrelieved tax losses carried forward	39,585	55,261
	297,121	318,008

The statutory financial statements do not recognise the deferred tax assets of £297,121 (2015 – £318,008), calculated at 17%, as the directors consider there is uncertainty that there will be suitable taxable profits from which the future reversal of this timing difference can be deducted.

(d) Factors that may affect future tax charges

The UK corporation tax rate was reduced from 21% to 20% effective from 1 April 2015. Further reductions to the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were announced in the summer budget.

Additionally, in the 2016 March Budget, it was announced that the main rate of corporation tax from 1 April 2020 shall instead be 17%.

Any deferred tax expected to reverse subsequent to 31 December 2016 has been measured using the rates substantively enacted at 31 December 2016.

Notes to the financial statements

at 31 December 2016

9. Intangible fixed assets

	Patent costs £
Cost:	
At 1 January 2016	189,099
At 31 December 2016	189,099
Amortisation:	
At 1 January 2016	133,861
Provided during the year	12,767
At 31 December 2016	146,628
Net book value:	
At 31 December 2016	42,471
At 1 January 2016	55,238

Patents are amortised over their estimated useful lives, which is on average 10 years.

10. Tangible fixed assets

	Computers and office equipment £	Hire and demo equipment £	Total £
Cost:			
At 1 January 2016	14,803	1,843,674	1,858,477
Additions	-	50,115	50,115
Disposals	-	(41,915)	(41,915)
At 31 December 2016	14,803	1,851,874	1,866,677
Depreciation:			
At 1 January 2016	10,577	1,687,133	1,697,710
Provided during the year	2,356	79,681	82,037
Disposals	-	(38,971)	(38,971)
At 31 December 2016	12,933	1,727,843	1,740,776
Net book value:			
At 31 December 2016	1,870	124,031	125,901
At 1 January 2016	4,226	156,541	160,767

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Notes to the financial statements

at 31 December 2016

10. Tangible fixed assets (continued)

Included within the amounts for hire and demo equipment is the following which have been leased to hospitals under operating leases:-

	2016	*2015*
	£	*£*
Cost	45,510	45,510
Accumulated depreciation	(45,510)	(45,510)
	-	-

11. Stocks

	2016	*2015*
	£	*£*
Finished goods	1,034,886	970,241

Stock valued at £121,185 (2015:£126,521) is held by hospitals on a consignment basis.

12. Trade and Other Creditors

Trade creditors are non-interest bearing and are normally settled on 30 day terms.
Other creditors includes amounts payable to UK tax authorities of £33,803 (2015:£11,894).

13. Amounts owed to group undertakings

Amounts owed to group undertakings are payable on demand and are non-interest bearing.

	2016	*2015*
	£	*£*
Orthofix Inc	37,220	29,827
Orthofix Ltd	99,480	129,562
Orthofix Srl	139,175	-
	275,874	159,388

Notes to the financial statements

at 31 December 2016

14. Accruals and Deferred income

	2016	*2015*
	£	*£*
Accruals	409,962	237,653
Deferred Income – current	377,617	397,881
	787,579	635,534
Deferred Income – non current	13,524	31,495

15. Obligations under leases

The company has entered into commercial leases on a property and office equipment. These leases have an average duration of between 1 and 5 years. Only the property lease contains an option for renewal being exercisable at least six months prior to the expiry of the lease providing certain conditions are met.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	*2015*
	£	*£*
Not later than one year	41,904	32,573
After one year but not more than five years	18,257	38,002
	60,161	70,575

16. Issued share capital

	2016	*2015*
Authorised, called up and fully paid	*£*	*£*
Ordinary shares of £1 each	120	120

17. Related party transactions

	2016	*2015*
	£	*£*
B.R.D.P. Bradnock consultancy fees	25,000	25,000
Balances due to directors at 31 December:		
B.R.D.P. Bradnock	12,500	12,500

B.R.D.P. Bradnock, a Director, provided medical consultancy services to the company during 2016.
Brian Bradnock resigned as a Director on 21st April 2017.

Other Transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There were no other transactions with related parties which would be required to be disclosed.

Notes to the financial statements

at 31 December 2016

18. Post balance sheet event

On 3rd July 2017 the net assets of the company were sold to Orthofix SRL for £2,754,948, along with USA asset sales to Orthofix INC for £607,900 and UK asset sales to Orthofix Ltd for £732,380. Orthosonics Ltd ceased to trade Orthosonics products from the transaction date of the Sale and Asset Purchase Agreement - 3rd July 2017.

An interim dividend for £3.6m was paid to Orthofix International NV on 29th August 2017 approved by board resolution.

During July and August 2017 a total of 7 staff were made redundant, severance costs were recognised in the profit and loss for £166,026.

19. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Orthofix International N.V., a company registered in Curacao.

The directors regard Orthofix International N.V., a company incorporated in Curacao, as the ultimate parent undertaking and controlling party. The company has been included in the group financial statements of Orthofix International N.V. Copies of the group financial statements can be obtained from The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, United States of America.