

Report of the Directors and
Financial Statements
for the Year Ended 31 December 2020
for
Vascular Flow Technologies Limited

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for the Year Ended 31 December 2020**

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Vascular Flow Technologies Limited

Company Information
for the Year Ended 31 December 2020

DIRECTORS:	Professor J G Houston Dr W D Allan Mr K Hudson Mr G F Rieger Mr C M Dunlop
SECRETARY:	Mrs K Full
REGISTERED OFFICE:	Unit 24, Prospect Business Centre Dundee Technology Park Dundee DD2 1TY
REGISTERED NUMBER:	SC190078 (Scotland)
SENIOR STATUTORY AUDITOR:	Paul Crichton, BAcc, CA, CTA
AUDITORS:	MMG Archbold Statutory Auditor Chapelshade House 78-84 Bell Street Dundee DD1 1RQ
BANKERS:	Bank of Scotland 65 - 69 Murraygate Dundee DD1 2EA
SOLICITORS:	Blackadders LLP 30 & 34 Reform Street Dundee DD1 1RJ

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of development and commercialisation of vascular devices.

REVIEW OF BUSINESS

The Company continued its new R&D focus and expanded its range of sub contract product/process development and device testing services. During the financial year the graft business was out-licensed to an independent company as part of the 2015 post funding re-organisation.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

Professor J G Houston

Dr W D Allan

Mr K Hudson

Mr G F Rieger

Mr C M Dunlop

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Report of the Directors
for the Year Ended 31 December 2020

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

Mr C M Dunlop - Director

29 September 2021

Report of the Independent Auditors to the Members of
Vascular Flow Technologies Limited

Opinion

We have audited the financial statements of Vascular Flow Technologies Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Material Uncertainty Related to Going Concern

We draw attention to the comprehensive income statement and statement of financial position of the company which show a continuing trading loss for the year and a deficit of funds at the year end. As stated in note 1 management have evaluated the funds available to them to continue as a going concern. The funding secured will allow the company to continue to trade for the foreseeable future but it will need to secure additional funding into the longer term. The company has been successful in securing funds in prior years but it is not certain that it will be successful in the future or that the current shareholders will continue to advance the funding required to continue trading in the future. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Report of the Independent Auditors to the Members of
Vascular Flow Technologies Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

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 from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Report of the Independent Auditors to the Members of
Vascular Flow Technologies Limited

Auditors' responsibilities for the audit of the financial statements

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

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management, and the recognition of income and the misstatement of revenue. Our audit procedures to respond to these risks included:

- Enquiries of management about their own identification and assessment of the risks of irregularities.
- Testing of the appropriateness and correct authorisation of journal entries and any other significant transactions outside the ordinary course of business including those entered into with related parties.
- Review of significant estimates to ensure there is no indication of management bias.
- Testing of the completeness and correct allocation of revenue in the year.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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 Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Paul Crichton, BAcc, CA, CTA (Senior Statutory Auditor)
for and on behalf of MMG Archbold
Statutory Auditor
Chapelshade House
78-84 Bell Street
Dundee
DD1 1RQ

29 September 2021

**Statement of Comprehensive
Income
for the Year Ended 31 December 2020**

	Notes	2020 £	£	2019 £	£
REVENUE			196,657		302,230
Cost of sales			<u>6,372</u>		<u>8,864</u>
GROSS PROFIT			190,285		293,366
Research & development costs		230,474		203,674	
Administrative expenses		<u>520,086</u>		<u>618,994</u>	
			<u>750,560</u>		<u>822,668</u>
			(560,275)		(529,302)
Other operating income			<u>47,154</u>		<u>28,400</u>
OPERATING LOSS	4		(513,121)		(500,902)
Interest receivable and similar income			<u>-</u>		<u>178</u>
			(513,121)		(500,724)
Interest payable and similar expenses	6		<u>5,471</u>		<u>2,785</u>
LOSS BEFORE TAXATION			(518,592)		(503,509)
Tax on loss	7		<u>-</u>		<u>-</u>
LOSS FOR THE FINANCIAL YEAR			(518,592)		(503,509)
OTHER COMPREHENSIVE INCOME			<u>-</u>		<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u>(518,592)</u>		<u>(503,509)</u>

The notes form part of these financial statements

Vascular Flow Technologies Limited (Registered number: SC190078)

Statement of Financial Position
31 December 2020

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Intangible assets	8		31,464		31,464
Property, plant and equipment	9		29,392		37,010
Investments	10		6		6
			<u>60,862</u>		<u>68,480</u>
CURRENT ASSETS					
Debtors	11	62,444		128,963	
Cash at bank and in hand		<u>46,405</u>		<u>155,779</u>	
		108,849		284,742	
CREDITORS					
Amounts falling due within one year	12	<u>229,450</u>		<u>252,781</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(120,601)</u>		<u>31,961</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(59,739)		100,441
CREDITORS					
Amounts falling due after more than one year	13		<u>358,412</u>		-
NET (LIABILITIES)/ASSETS			<u>(418,151)</u>		<u>100,441</u>
CAPITAL AND RESERVES					
Called up share capital	15		4,599,742		4,599,742
Share premium	16		18,123,312		18,123,312
Retained earnings	16		<u>(23,141,205)</u>		<u>(22,622,613)</u>
			<u>(418,151)</u>		<u>100,441</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2021 and were signed on its behalf by:

Mr C M Dunlop - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2019	4,499,742	(22,119,104)	17,723,312	103,950
Changes in equity				
Issue of share capital	100,000	-	400,000	500,000
Total comprehensive income	-	(503,509)	-	(503,509)
Balance at 31 December 2019	<u>4,599,742</u>	<u>(22,622,613)</u>	<u>18,123,312</u>	<u>100,441</u>
Changes in equity				
Total comprehensive income	-	(518,592)	-	(518,592)
Balance at 31 December 2020	<u>4,599,742</u>	<u>(23,141,205)</u>	<u>18,123,312</u>	<u>(418,151)</u>

Statement of Cash Flows
for the Year Ended 31 December 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	(459,241)	(498,698)
Interest paid		<u>(5,471)</u>	<u>(2,785)</u>
Net cash from operating activities		<u>(464,712)</u>	<u>(501,483)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		-	(10,000)
Inter-company balance movement		(3,073)	(4,203)
Interest received		<u>-</u>	<u>178</u>
Net cash from investing activities		<u>(3,073)</u>	<u>(14,025)</u>
Cash flows from financing activities			
New loans in year		358,411	-
Loan repayments		-	(2,779)
Share issue and premium		<u>-</u>	<u>500,000</u>
Net cash from financing activities		<u>358,411</u>	<u>497,221</u>
Decrease in cash and cash equivalents		<u>(109,374)</u>	<u>(18,287)</u>
Cash and cash equivalents at beginning of year	2	155,779	174,066
Cash and cash equivalents at end of year	2	<u>46,405</u>	<u>155,779</u>

The notes form part of these financial statements

**Notes to the Statement of Cash Flows
for the Year Ended 31 December 2020**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Loss before taxation	(518,592)	(503,509)
Depreciation charges	7,619	8,247
Finance costs	5,471	2,785
Finance income	-	(178)
	<u>(505,502)</u>	<u>(492,655)</u>
Decrease in trade and other debtors	66,519	9,686
Decrease in trade and other creditors	<u>(20,258)</u>	<u>(15,729)</u>
Cash generated from operations	<u><u>(459,241)</u></u>	<u><u>(498,698)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	<u>46,405</u>	<u>155,779</u>

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>155,779</u>	<u>174,066</u>

3. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1.1.20	Cash flow	At 31.12.20
	£	£	£
Net cash			
Cash at bank and in hand	<u>155,779</u>	<u>(109,374)</u>	<u>46,405</u>
	<u>155,779</u>	<u>(109,374)</u>	<u>46,405</u>
Debt			
Debts falling due after 1 year	<u>-</u>	<u>(358,412)</u>	<u>(358,412)</u>
	<u>-</u>	<u>(358,412)</u>	<u>(358,412)</u>
Total	<u>155,779</u>	<u>(467,786)</u>	<u>(312,007)</u>

Notes to the Financial Statements
for the Year Ended 31 December 2020

1. STATUTORY INFORMATION

Vascular Flow Technologies Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The accounts have been prepared in accordance with applicable accounting standards and on the basis that the company can continue to operate as a going concern.

Going Concern Basis

The company is dependent on the successful commercialisation of its technology and the ability to secure additional finance in order to continue as a going concern.

After reviewing forecasts; projections; and the availability of funds from the major shareholder, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

If the company were unable to continue as a going concern, the accounts would have to be adjusted to write down assets to their recoverable amount, to provide for any additional losses or liabilities that might arise and to reclassify fixed assets and long term creditors as current assets and current liabilities.

Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Vascular Flow Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

Significant judgements and estimates

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Turnover includes revenue earned from the sale of goods and services and the licensing of its intellectual property.

Sale of goods and services

Turnover from the sale of goods and services is recognised when the significant risks and rewards has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods or the services have been completed..

Licensing of intellectual property

Turnover from the licensing of intellectual property is recognised by reference to the length of the licensing agreement and the income due at each stage of completion.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of twenty years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Office equipment	- 20% on reducing balance
Laboratory equipment	- 20% on reducing balance
Computer equipment	- 33% on cost

Grants including government grants

Grants are accounted for under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme (furlough).

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost less any accumulated impairments.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Financial instruments

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities Basic financial liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less.

Other financial liabilities

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is recognised as an expense in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

3. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	292,469	292,898
Social security costs	28,768	30,018
Other pension costs	14,602	14,620
	<u>335,839</u>	<u>337,536</u>

The average number of employees during the year was as follows:

	2020	2019
Directors	5	5
Employees	<u>5</u>	<u>5</u>
	<u>10</u>	<u>10</u>

	2020	2019
	£	£
Directors' remuneration	124,063	123,375
Directors' pension contributions to money purchase schemes	<u>5,071</u>	<u>5,040</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2020	2019
Money purchase schemes	<u>1</u>	<u>1</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	2019	2018
	£	£
Depreciation - owned assets	8,247	10,067
Auditors' remuneration	8,210	7,905
Foreign exchange (gains)	(173)	(10,411)
Pension costs	<u>14,620</u>	<u>14,831</u>

5. EXCEPTIONAL ITEMS

	2020	2019
	£	£
Exceptional items	<u>(4,774)</u>	<u>(109,466)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

The company terminated a license agreement relating to the graft business with BIOVIC Sdn Bhd at the start of 2019. This led to legal proceedings between the parties during the year which concluded in December.

Following the conclusion of the proceeding, Vascular Flow Technologies made settlement of £91,188 to BIOVIC Sdn Bhd and paid legal fees of £18,278 in total.

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£	£
Bank interest and charges	<u>5,471</u>	<u>2,785</u>

7. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 December 2020 nor for the year ended 31 December 2019.

8. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 January 2020	
and 31 December 2020	<u>31,464</u>
NET BOOK VALUE	
At 31 December 2020	<u>31,464</u>
At 31 December 2019	<u>31,464</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment £	Laboratory equipment £	Computer equipment £	Totals £
COST				
At 1 January 2020				
and 31 December 2020	<u>15,502</u>	<u>243,886</u>	<u>28,645</u>	<u>288,033</u>
DEPRECIATION				
At 1 January 2020	14,142	209,283	27,598	251,023
Charge for year	<u>321</u>	<u>6,774</u>	<u>523</u>	<u>7,618</u>
At 31 December 2020	<u>14,463</u>	<u>216,057</u>	<u>28,121</u>	<u>258,641</u>
NET BOOK VALUE				
At 31 December 2020	<u>1,039</u>	<u>27,829</u>	<u>524</u>	<u>29,392</u>
At 31 December 2019	<u>1,360</u>	<u>34,603</u>	<u>1,047</u>	<u>37,010</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2020	
and 31 December 2020	6
NET BOOK VALUE	
At 31 December 2020	6
At 31 December 2019	6

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Vascular Flow Technologies Inc.

Registered office: United States of America

Nature of business: Dormant

	% holding		
Class of shares:	100.00		
Ordinary		2020	2019
		£	£
Aggregate capital and reserves		<u>100,742</u>	<u>103,815</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	20,226	54,836
Other Debtors	302	6,815
VAT	3,742	464
Accrued income	1,158	32,053
Prepayments	<u>37,016</u>	<u>34,795</u>
	<u>62,444</u>	<u>128,963</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	75,499	45,633
Amounts owed to group undertakings	100,742	103,815
Social security and other taxes	8,504	13,082
Other creditors	1,531	8,720
Accrued expenses	43,174	75,281
Deferred income	<u>-</u>	<u>6,250</u>
	<u>229,450</u>	<u>252,781</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Bank loans (see note 14)	50,000	-
Other loans (see note 14)	308,412	-
	<u>358,412</u>	<u>-</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2020	2019
	£	£
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>10,000</u>	<u>-</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	30,000	-
Shareholder loan - 2-5 years	150,000	-
Other loan - 2-5years	<u>158,412</u>	<u>-</u>
	<u>338,412</u>	<u>-</u>

Amounts falling due in more than five years:

Repayable by instalments		
Bank loans more 5 yr by instal	<u>10,000</u>	<u>-</u>

Covidien LP provided the company with a \$200,000 facility in April 2020. The loan is repayable in full in April 2022 along with compounded interest at 2.5%. The company has provided a floating charge in support of this loan.

Nuthatches Limited, has provided £150,000 of a convertible loan facility. The total available facility is £1,500,000.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2020 £	2019 £
14,899,083	Ordinary	£0.10	1,489,908	1,489,908
100,673,429	Ordinary	£0.01	1,006,734	1,006,734
140,000,000	A Ordinary Preference	£0.01	1,400,000	1,400,000
70,310,000	B Ordinary Preference	£0.01	703,100	703,100
			<u>4,599,742</u>	<u>4,599,742</u>

The B Ordinary Preference shares carry the right to a preferential return of 3 times the subscription price paid per share of 5p prior to any other distribution being made. Thereafter the A Ordinary Preference shares are entitled to a return of 1 times the subscription price paid for each share of 5p, thereafter any remaining distribution will be made pro-rata amongst all shareholders.

The A and B Ordinary Preference Shares also carry a preferential right to dividends, with any declared dividend to be divided up so that B shareholders are entitled to received 4 times the calculated dividend per share. A shareholders are entitled to 2 times the dividend per share and Ordinary shareholders the dividend per share per Ordinary share held.

16. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2020	(22,622,613)	18,123,312	(4,499,301)
Deficit for the year	(518,592)		(518,592)
At 31 December 2020	<u>(23,141,205)</u>	<u>18,123,312</u>	<u>(5,017,893)</u>

17. PENSION COMMITMENTS

Throughout the year the company has had a defined contribution scheme for the benefit of directors and employees. Contributions to the scheme are charged to the profit and loss account in the year in which they are payable. The pension charge for the year was £14,602 (2019 - £14,620).

18. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Other related parties

	2020 £	2019 £
Amount due to related party	<u>150,000</u>	<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

19. **SHARE-BASED PAYMENT TRANSACTIONS**

The company has issued various share options and following table summarises the total options in issue:

	Ordinary Exit Options	B Exit Options	Total
Directors	2,563,000	11,771,089	4,334,089
Employees	-	855,862	855,862
Others	3,349,999	1,923,049	5,273,048
Unallocated options	-	3,950,000	3,950,000
Lapsed rights	<u>(5,912,999)</u>		<u>(5,912,999)</u>
Total	<u>-</u>	<u>18,500,000</u>	<u>8,500,000</u>

During the year the remaining Ordinary Exit Options lapsed due to the five-year holding period. There were no new options awarded during the accounting period.

The B Exit Options are over B Ordinary Preference shares. All granted options expire five years post grant.

The strike price for the B Exit Options is 5p per share, which is the fair market price of the B Ordinary Preference shares (which carry rights to a preferential return of 15p per share, prior to any distributions to A Ordinary Preference or Ordinary shareholders).

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