

Annual report and financial statements

For the year ended 31 December 2020

AMENDED

- This document replaces original accounts
- They are now statutory accounts
- Accounts were prepared as they were at the date of the original accounts

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COMPANIES HOUSE

Registered number: SC232512

Touch Bionics Limited

Annual report and Unaudited Financial Statements

For the year ended 31 December 2020

Touch Bionics Limited

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Touch Bionics Limited

Company Information

Directors	Jon Sigurosson Sveinn Solvason Joseph Van Poorten Hugh Gill
Registered number	SC232512
Registered office	Integration House Alba Business Park Livingston West Lothian Scotland EH54 7EG

Touch Bionics Limited

Strategic Report

for the year ended 31 December 2020

The directors present their Strategic report for the year ended 31 December 2020.

Principal activities and review of business

The principal activity of the company is the design, manufacture and sale of medical equipment (artificial upper limb components).

The company's key measurement of effectiveness is sales growth and profitability. The directors consider that the business will remain profitable for the foreseeable future and strategies are in place to increase sales growth.

There has been a significant decline in turnover by £6 million that is 36% during the year and the profit has also reduced by £3.6 million. This was mainly due to the effect of COVID-19 as some of the markets were in lock down for some part of the current year.

Future developments

The company will continue to develop its existing activities in accordance with the requirements of the group. None of the future developments are expected to impact the company's ability to continue as a going concern.

Results and dividends

The company reported a turnover of £10.8 million (2019: £16.7 million) and made a profit after tax of £0.7 million (2019: £4.3 million) which was transferred to reserves. The directors did not recommend payment of a dividend in the year (2019: £nil).

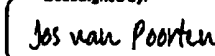
Principle risks and uncertainties

All companies are exposed to certain risks and uncertainties, which are under close scrutiny given the current economic climate, and Touch Bionics Limited does not underestimate these threats.

- The company's future success is dependent on its ability to continue to innovate and to bring research and development opportunities to the commercial market. The directors review the research and development strategy and plan on a frequent basis.
- Competitors launching an alternative product with enhanced features or lower price. The directors believe that the company has strong patent protection in place.

There are currently unusual conditions due to the COVID-19 virus which causes a potential uncertainty to the economic environment which could have impact on the company. It is, however, the opinion of the company's management that this does not effect the company's ability to continue on a going concern basis.

Approved by the Board on 9/29/20212021 and signed on its behalf by:

DocuSigned by:

Joseph Van Poorten
Director

Touch Bionics Limited

Directors' Report

for the year ended 31 December 2020

The directors present their report and the unaudited financial statements of the company for the year ended 2020.

Results and dividends

Particulars of results and dividends are detailed in the Strategic report.

Directors of the company

The directors of the company, who were in office during the year and up to the date of signing the financial statements, unless otherwise noted, were as follows:

Jon Sigurosson

Sveinn Solvason

Joseph Van Poorten

Hugh Gill

Going concern

Unusual conditions caused by the COVID-19 pandemic are resulting in uncertainty in the company's economic environment and are impacting the financial performance of the company. It is, however, the opinion of the company's management that this does not affect the company's ability to continue operating on a going concern basis. Management believes that COVID-19 has only short-term impact on the company's financials and does not changes in long-term market fundamentals.

Qualifying third party indemnity provisions

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions are in force as at the date of approving the Directors' report.

Brexit

The UK Brexit transition period ended on 31 December 2020 and new rules apply from 1 January 2021. Unusual conditions caused by the Brexit resulted in uncertainty in the company's economic environment and are impacting the financial performance of the company. It is, however, the opinion of the company's management that this does not effect the company's ability to continue operating on a going concern basis. Management believes that the Brexit has only short-term impact on the company's financials and does not change long-term market fundamentals.

Research and development

Research and development expenditure for the financial year related mostly to the development of new functionalities for the i-Limb and i-Digits Touch solutions and amounted to £1,625,632 (2019: £1,666,045).

Approved by the Board on 9/29/2021 and signed on its behalf by

DocuSigned by:

Joseph Van Poorten

Joseph Van Poorten
Director

Touch Bionics Limited

Directors' Responsibility Statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial statements for each financial year. Under that law the directors have prepared the Financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Touch Bionics Limited

Statement of Comprehensive Income

for the year ended 31 December 2020

		2020	(as restated*) 2019
	Note	£	£
Turnover	4	10,759,201	16,726,534
Cost of sales		<u>(7,001,036)</u>	<u>(8,966,548)</u>
Gross profit		3,758,165	7,759,986
Administrative expenses	7	<u>(2,774,432)</u>	<u>(2,376,289)</u>
Operating profit	5	983,733	5,383,697
Interest payable and similar charges	6	<u>(169,987)</u>	<u>104,540</u>
Profit before tax		813,746	5,488,237
Tax on profit	9	<u>(158,404)</u>	<u>(1,189,912)</u>
Profit for the financial year		655,342	4,298,325
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>655,342</u>	<u>4,298,325</u>

*See note 20 for details.

All of the above activities relate to continuing activities.

The notes on pages 9 to 26 form an integral part of these financial statements.

Touch Bionics Limited

Balance Sheet

as at 31 December 2020

Registered number: SC232512

		2020	(as restated*) 2019
	Note	£	£
Fixed assets			
Tangible assets	11	1,969,269	422,581
Intangible assets	10	382,486	549,167
Deferred tax assets	9	66,099	136,497
		<u>(2,417,854)</u>	<u>(1,108,245)</u>
Current assets			
Stocks	12	1,506,991	1,702,552
Trade and other receivables	13	23,937,039	26,251,296
Cash at bank and in hand		1,228,427	624,727
		<u>26,672,457</u>	<u>28,578,575</u>
Creditors: amounts falling due within one year	14	<u>(3,849,610)</u>	<u>(4,541,580)</u>
Net current assets		<u>22,822,847</u>	<u>24,036,995</u>
Total assets less current liabilities		25,240,701	25,145,240
Creditors: amounts falling due after more than one year	15	-	(404,676)
Provision for liabilities	16	<u>(244,795)</u>	<u>(400,000)</u>
Net assets		<u>24,995,906</u>	<u>24,340,564</u>
Capital and reserves			
Called up share capital	17	93,617	93,617
Share premium	17	2,212,942	2,212,942
Profit and loss account	18	<u>22,689,347</u>	<u>22,034,005</u>
Shareholder's funds		<u>24,995,906</u>	<u>24,340,564</u>

*See note 20 for details.

The notes on pages 9 to 26 form an integral part of these financial statements.

Touch Bionics Limited

Balance Sheet (continued) as at 31 December 2020

Registered number: SC232512

For the financial year ending 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The parent company, Össur hf, accepts liability for the financial year ending 31 December 2020.

The financial statements of Touch Bionics Limited, registered number SC232512, were approved by the board of directors and authorised for issue on 9/23/2021 2021. They were signed on its behalf by:

DocuSigned by:

Jos van Poorten

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Joseph Van Poorten
Director

The notes on pages 9 to 26 form an integral part of these financial statements.

Touch Bionics Limited

Statement of Changes in Equity

for the year ended 31 December 2020

	<i>Called up share capital £</i>	<i>Share Premium £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
As at 1 January 2019	93,617	2,212,942	17,723,576	20,030,135
Reversal of effect of implementation of IFRS 16	-	-	12,104	12,104
At 1 January 2019 (as restated*)	93,617	2,212,942	17,735,680	20,042,239
Profit for the year	-	-	4,298,325	4,298,325
Total comprehensive income	-	-	4,298,325	4,298,325
At 31 December 2019 (as restated*)	93,617	2,212,942	22,034,005	24,340,564
Profit for the year	-	-	655,342	655,342
Total comprehensive income	-	-	655,342	655,342
At 31 December 2020	93,617	2,212,942	22,689,347	24,995,906

*See note 20 for details.

The notes on pages 9 to 26 form an integral part of these financial statements.

Touch Blonics Limited

Notes to the Financial Statements

for the year ended 31 December 2020

1 General information

Touch Blonics Limited (the company) is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 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 Strategic report. These financial statements are presented in pounds sterling and are rounded to nearest pound because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Össur hf. The group accounts of Össur hf. are available to the public and can be obtained as set out in note 19.

The company applied IFRS 16 at 1 January 2019, using the modified retrospective approach. The company has reversed its impact so all the figures related to it are restated. See note 20 for details.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Financial reporting standard 102 - reduced disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) the requirement to prepare a Statement of cash flows (Section 7 of FRS 102 and para 3.17(d));
- (b) reduced financial instrument disclosures (FRS 102 paras 11.39 - 11.48A, 12.26 - 12.29);
- (c) disclosure requirements of Section 26 in respect of share based payments (FRS 102 paras 26.18b, 26.19, 26.21, 26.23) and;
- (d) the non-disclosure of key management personnel compensation in total (FRS 102 para 33.7).

Going concern

The financial statements are prepared on a going concern basis due to the reasons set out in the Directors' report.

Touch Bionics Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Intangible assets - research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the company is expected to benefit. This period is between three and five years.

Intangible assets - patents and trademarks

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over the life of the patent which is their estimated useful economic life.

Intangible assets - software

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

Software costs are amortised over 3 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant and machinery	1 - 5 years
Computer equipment	3 years
Leasehold	Over the term of the lease

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: purchased cost on a first in, first out basis
- Work in progress and finished goods: cost of direct materials and labour costs allocated based on normal operating capacity, but excluding borrowing costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of the comprehensive income.

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 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company 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.

Turnover

Turnover is measured at the fair value of the consideration received or receivable. Turnover is reduced for customer rebates and other similar allowances that are calculated based upon the price of goods, volumes and product mix purchased by the customer. Turnover is stated net of settlement discounts, VAT, other sales taxes and duties. The sales value recognised takes into consideration any agreed contractual adjustments with Insurance companies.

Sale of goods

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

- the company has transferred to the buyer the significant risks and rewards of ownership;
- the amount of turnover can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Foreign currency transactions and balances

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

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Provisions

Warranties

Provisions for expected cost of warranty obligation under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

Related party transactions

The company is exempt from disclosing transactions with fellow group companies under Financial Reporting Standard FRS 102 paragraph 33.1A as a wholly owned subsidiary company.

Financial instruments

Financial assets

The company recognises its financial assets into the category discussed below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies its financial liabilities into the category discussed below.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Finance income and costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no judgements and estimates that have a significant effect on amounts recognised in the financial statements.

4 Turnover

Turnover arises from:

	2020 £	2019 £
Sale of goods	<u>10,759,201</u>	<u>16,726,534</u>

An analysis of the company's revenue by geographical market is set out below.

	2020 £	2019 £
Europe	5,133,591	8,394,209
North America	5,515,297	8,140,980
South America	<u>110,313</u>	<u>191,345</u>
	<u>10,759,201</u>	<u>16,726,534</u>

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

5 Operating profit

Arrived at after charging:

	2020 £	2019 £
Amortisation on intangible assets	166,681	332,539
Depreciation on tangible assets	251,356	101,643
Cost of inventories included in cost of sales	19,024	185,462
Write-down of inventories	43,755	-
Staff costs	<u>2,150,381</u>	<u>2,444,171</u>

6 Interest payable and similar charges

	2020 £	(as restated*) 2019 £
Interest on bank deposits	<u>12,888</u>	<u>1,833</u>
Total financial expenses	12,888	1,833
Net exchange rate differences	<u>157,099</u>	<u>(106,373)</u>
Net financial expenses/(income)	<u>169,987</u>	<u>(104,540)</u>

*See note 20 for details.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

7 Administrative expenses

	2020	(as restated*) 2019
<i>Administrative expenses split by type</i>	£	£
Purchases & distribution	394,819	555,722
Payroll expenses	1,328,686	1,503,561
Personnel expenses	70,303	128,617
Sales expenses	208	1,056
Marketing expenses	3,509	6,508
General and administrative expenses	304,519	(173,839)
Computer and telephone expenses	105,988	93,459
Travelling expenses	13,849	107,334
Facilities expenses	552,551	153,871
	<u>2,774,432</u>	<u>2,376,289</u>

	2020	(as restated*) 2019
<i>Administrative expenses split by function</i>	£	£
Sales and marketing expenses	208,243	252,022
Research and development expenses	1,625,632	1,666,045
General and administration expenses	940,557	458,222
	<u>2,774,432</u>	<u>2,376,289</u>

*See note 20 for details.

Touch Bionics Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

8 Staff cost including directors' remuneration

The aggregate payroll costs were as follows:

	2020 £	2019 £
Wages and salaries	1,793,379	2,027,192
Social security costs	248,242	292,157
Other pension costs	108,760	124,822
	<u>2,150,381</u>	<u>2,444,171</u>

The average monthly number of employees during the year were as follows:

	2020 No.	2019 No.
Production	25	27
Administration and support	20	21
	<u>45</u>	<u>48</u>

During the year, the directors of the company were remunerated via other companies in the Össur hf group (2019: same).

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

9 Tax on profit

Tax charged in the statement of comprehensive income:

2020
£

Current taxation

UK corporation tax on profit for the year	58,442
Adjustments to tax charge in respect of prior periods	29,564
	<u>88,006</u>
Total current tax	<u>88,006</u>

Deferred taxation

Origination and reversal of timing differences	99,727
Effect of tax rate change on opening balance	(16,058)
Adjustment in respect of prior periods	(13,271)
	<u>70,398</u>
Total deferred taxation	<u>70,398</u>
Tax on profit	<u>158,404</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19%.

The differences are reconciled below:

2020
£

Profit before tax	<u>813,746</u>
Corporation tax at standard rate	154,612
Expenses not deductible for tax purposes	3,557
Effect of tax rate change on opening balance	(16,058)
Adjustment in respect of prior periods	16,293
	<u>158,404</u>
Total tax charge for the year	<u>158,404</u>

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

9 Tax on profit (continued)

Deferred tax assets

	2020 £
At 1 January (<i>as restated</i> *)	136,497
Charge for the year	(83,669)
Adjustment in respect of prior periods	13,271
At 31 December	<u>66,099</u>

Deferred tax assets

	2020 £	(<i>as restated</i> *) 2019 £
Intangible assets	615	685
Fixed assets	9,054	37,739
Provisions	-	96,646
Short term timing differences	56,430	1,427
	<u>66,099</u>	<u>136,497</u>

*See note 20 for details.

Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19% and this was effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of corporation tax, maintaining the current rate of 19%.

On 3 March 2021, the UK Budget 2021 announcements included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

The company has calculated its deferred tax at a rate of 19% which reflects the corporation tax rate enacted at the balance sheet date.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

10 Intangible assets

	<i>Software costs</i> £	<i>Patents</i> £	<i>Development costs</i> £	<i>Total</i> £
Cost				
At 1 January 2020	22,132	686,099	1,341,803	2,050,034
Disposals	(22,132)	-	(1,267,675)	(1,289,807)
At 31 December 2020	-	686,099	74,128	760,227
Depreciation				
At 1 January 2020	22,132	312,146	1,166,589	1,500,867
Charge for the year	-	40,933	125,748	166,681
Amortisation eliminated on disposals	(22,132)	-	(1,267,675)	(1,289,807)
At 31 December 2020	-	353,079	24,662	377,741
Net book value				
At 31 December 2020	-	333,020	49,466	382,486
At 31 December 2019	-	373,953	175,214	549,167

The aggregate amount of research and development expenditure recognised as an expense during the period was £1,625,632 (2019: £1,666,045).

Touch Bionics Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

11 Tangible assets

	<i>Leasehold improvements</i> £	<i>Machinery, fixture and furniture</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost				
At 1 January 2020	264,541	330,435	177,736	772,712
Additions	1,723,311	36,567	38,166	1,798,044
Disposals	(3,565)	(513)	(58,747)	(62,825)
At 31 December 2020	<u>1,984,287</u>	<u>366,489</u>	<u>157,155</u>	<u>2,507,931</u>
Depreciation				
At 1 January 2020	8,159	234,417	107,555	350,131
Charge for the year	164,119	34,663	52,574	251,356
Eliminated on disposal	(3,565)	(513)	(58,747)	(62,825)
At 31 December 2020	<u>168,713</u>	<u>268,567</u>	<u>101,382</u>	<u>538,662</u>
Net book value				
At 31 December 2020	<u>1,815,574</u>	<u>97,922</u>	<u>55,773</u>	<u>1,969,269</u>
At 31 December 2019	<u>256,382</u>	<u>96,018</u>	<u>70,181</u>	<u>422,581</u>

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

12 Stocks

	2020 £	2019 £
Raw materials and consumables	693,827	942,112
Work in progress	522,444	453,668
Finished goods and goods for resale	290,720	306,772
	<u>1,506,991</u>	<u>1,702,552</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

13 Trade and other receivables

	2020 £	2019 £
Trade receivables	50,145	84,069
Amounts owed by group undertakings	22,790,808	25,247,514
Corporation tax receivable	236,048	-
Other receivables	860,038	919,713
	<u>23,937,039</u>	<u>26,251,296</u>

Amounts owed by group undertakings are interest free and repayable on demand.

Touch Bionics Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

14 Creditors: amounts falling due within one year

	2020	(as restated*) 2019
	£	£
Trade creditors	3,724,466	3,148,496
Corporation tax liabilities	-	1,110,417
Other taxes and social security	125,144	228,463
Other creditors	-	54,204
	<u>3,849,610</u>	<u>4,541,580</u>

*See note 20 for details.

15 Creditors: amounts falling more than one year

	2020	(as restated*) 2019
	£	£
Accruals and deferred income	<u>-</u>	<u>404,676</u>

*See note 20 for details.

The accruals and deferred income during the previous year related to deferred warranty income.

Touch Bionics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

16 Provision for liabilities

	2020 £	2019 £
<i>Product warranties</i>		
At 1 January	400,000	10,065
Increase in provision	-	400,000
Utilisation of provision	(155,205)	(10,065)
At 31 December	<u>244,795</u>	<u>400,000</u>

The company provides a manufacturer's warranty covering the first 12 or 24 months for hands and 36 months for digits. The provision is calculated using the average historical cost of servicing and repairing hands and digits within the manufacturer's warranty period.

17 Called-up share capital and reserves

Allotted, called up and fully paid

		2020		2019
	No.	£	No.	£
Ordinary shares of £0.006 each (2019: £0.006)	11,519,469	69,116	11,519,469	69,116
A Ordinary shares of £0.006 each (2019: £0.006)	750,220	4,501	750,220	4,501
B Ordinary shares of £0.006 each (2019: £0.006)	3,333,340	20,000	3,333,340	20,000
	<u>15,603,029</u>	<u>93,617</u>	<u>15,603,029</u>	<u>93,617</u>

Touch Bionics Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

17 Called-up share capital and reserves (continued)

A Ordinary shares

A Ordinary shares rank in preference to the Ordinary shares in the event of an exit event occurring. Payment of dividends, including accrued dividends, and distribution of remaining balances on an exit event rank pari passu between the three types of equity shares. Immediately prior to and conditional on a flotation taking place the company shall convert the A shares into Ordinary shares.

B Ordinary shares

B Ordinary shares rank pari passu between the ordinary shares in the event of an exit occurring. Payment of dividends, including accrued dividends and distribution of remaining balances on an exit event rank pari passu between the three types of equity shares. Immediately prior to and conditional on a flotation taking place the company shall convert the B shares into Ordinary shares.

Share premium

On 10 April 2016, 3,061,668 Ordinary shares of £0.006 were issued to investors, directors and employees. On 11 April 2016 the entire share capital of the company was sold to Ossur UK Holding Limited for 8.98 pound per share.

	2020 £	2019 £
Share premium	<u>2,212,942</u>	<u>2,212,942</u>

18 Profit and loss account

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

19 Ultimate parent and controlling party

The immediate parent company is Ossur UK Holding Limited (a company incorporated in England and Wales) by virtue of the fact that it acquired 100% of the issued share capital of the company on 11 April 2016. The company's ultimate parent company is William Demant Invest A/S, a company registered in Denmark.

The consolidated financial statements for the smallest scope of companies in the group is prepared by Össur hf, parent company, and are available from Grjóthals 5, 110 Reykjavík, Iceland.

Touch Blonics Limited

Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

20 Prior period adjustment

The company wrongly implemented IFRS 16 at 1 January 2019, using the modified retrospective approach. Therefore, the company has reversed its impact and all the figures related to it are restated.

Effect of reversal of IFRS 16 on the statement of comprehensive income for the year ending 31 December 2019:

	2019
	£
Profit for the financial year before IFRS 16 adjustment	4,297,626
Lease rentals	(120,479)
Interest expense on lease liabilities	8,053
Depreciation of right-of-use assets	113,268
Tax impact reversed	(143)
Profit for the financial year after IFRS 16 adjustment	4,298,325
Net impact	699

Effect of reversal of IFRS 16 on the balance sheet for the year ending 31 December 2019:

	(as restated*)	
	2019	2019
	£	£
Right-of-use assets	257,912	-
Current: Lease liabilities	(117,879)	-
Non-current: Lease liabilities	(155,458)	-
Retained earnings	(17,723,576)	(17,735,680)
Deferred tax assets	139,119	136,497