

Lamellar Biomedical Limited

Registered number: SC312123

Annual Report
For the year ended 30 June 2019



Lamellar Biomedical Limited

Company Information

Directors	D C M Moore (Chairman) A McLean J Carney J Cordiner M J Broker V S Muthu
Company secretary	Barwell Consulting Limited
Registered number	SC312123
Registered office	c/o Barwell PLC Sterling House 20 Renfield Street Glasgow G2 5AP
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 100 Queen Street Glasgow G1 3DN
Bankers	Bank of Scotland 167-201 Argyle Street Glasgow G2 8BU Clydesdale Bank Plc 19 Stuart Street East Kilbride G74 4NF
Patent Attorneys	Murgitroyd & Co 165 – 169 Scotland Street Glasgow G2 8BU
Solicitors	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA Bonaccord 31 Merchiston Park Edinburgh EH10 3PW
Website	www.lamellar.com

Lamellar Biomedical Limited

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Lamellar Biomedical Limited

Directors' Report for the year ended 30 June 2019

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2019.

Directors' responsibilities 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards. ("IFRS") as adopted by the European Union 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Company has complied with IFRS, 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.

Principal activities

The principal activities of the Company during the year were the development and commercialisation of intellectual property relating to pharmaceuticals based on mimetics of extra-alveolar lamellar bodies.

Lamellar Biomedical Limited

Directors' Report for the year ended 30 June 2019

Directors

The Directors who served during the year were:

D C M Moore (Chairman)

A McLean

J Carney

G Clark (deceased on 13 June 2019)

J Cordiner

M J Broker

V S Muthu

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

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

Auditor

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

Small companies note

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

Gavin Clark

The Directors record their great sadness at the untimely passing of their valued colleague, Gavin Clark.

This report was approved by the Board on and signed on its behalf.



Mr J Cordiner

Director

11 November 2019

Lamellar Biomedical Limited

Independent Auditor's Report to the Members of Lamellar Biomedical Limited

Opinion

We have audited the financial statements of Lamellar Biomedical Limited (the 'Company') for the year ended 30 June 2019 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Material uncertainty related to going concern

We draw attention to note 2c in the financial statements, which indicates that the Company requires additional capital to finance the development of their product and to meet the ongoing operating costs of the business. As stated in note 2c, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Lamellar Biomedical Limited

Independent Auditor's Report to the Members of Lamellar Biomedical Limited

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Lamellar Biomedical Limited

Independent Auditor's Report to the Members of Lamellar Biomedical Limited

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 1, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.



Craig Maxwell (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

100 Queen Street

Glasgow

G1 3DN

13 November 2019

Lamellar Biomedical Limited

Statement of Comprehensive Income for the year ended 30 June 2019

	Note	2019 £	2018 £
Other operating income	4	-	45,972
Administrative expenses		(2,268,352)	(2,457,842)
Operating loss	5	(2,268,352)	(2,411,870)
Finance income	6	927	8,634
Loss before taxation		(2,267,425)	(2,403,236)
Taxation	8	346,906	285,655
Loss for the year		(1,920,519)	(2,117,581)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,920,519)	(2,117,581)

The notes on pages 10 to 29 form part of these financial statements.

Lamellar Biomedical Limited

Registered number: SC312123

Statement of Financial Position

as at 30 June 2019

	Note	2019 £	2018 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	352,891	274,775
Intangible assets	10	-	-
		<u>352,891</u>	<u>274,775</u>
Current assets			
Trade and other receivables	12	237,636	217,013
Current tax assets	12	362,433	311,836
Cash and cash equivalents	13	1,640,009	3,534,438
		<u>2,240,078</u>	<u>4,063,287</u>
Total assets		<u>2,592,969</u>	<u>4,338,062</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	2,690	2,688
Share premium	17	14,949,936	14,925,998
Retained earnings		(12,695,556)	(10,822,538)
Total equity		<u>2,257,070</u>	<u>4,106,148</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	335,899	231,914
Total current liabilities		<u>335,899</u>	<u>231,914</u>
Total liabilities		<u>335,899</u>	<u>231,914</u>
Total equity and liabilities		<u>2,592,969</u>	<u>4,338,062</u>

The notes on pages 10 to 29 form part of these financial statements.

The financial statements were approved for issue by the Board on 11 November 2019 and were signed on its behalf by


Mr J Cordiner
Director

Lamellar Biomedical Limited

Statement of Changes in Equity for the year ended 30 June 2019

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
As at 1 July 2017	2,681	14,855,235	(8,799,076)	6,058,840
Comprehensive income				
Loss for the year	-	-	(2,117,581)	(2,117,581)
Issue of share capital	7	70,763	-	70,770
Share-based payments	-	-	94,119	94,119
Transactions with owners	7	70,763	94,119	164,889
As at 1 July 2018	2,688	14,925,998	(10,822,538)	4,106,148
Comprehensive income				
Loss for the year	-	-	(1,920,519)	(1,920,519)
Issue of share capital	2	23,938	-	23,940
Share-based payments	-	-	47,501	47,501
Transactions with owners	2	23,938	47,501	71,441
As at 30 June 2019	2,690	14,949,936	(12,695,556)	2,257,070

Lamellar Biomedical Limited

Statement of Cash Flows for the year ended 30 June 2019

	Note	2019 £	2018 £
Operating activities			
Loss before tax		(2,267,425)	(2,403,236)
Adjustments to reconcile loss before tax to net cash flows from operating activities:			
Depreciation of property, plant and equipment		92,219	46,839
Amortisation of intangible fixed assets		27,762	24,825
Provision for impairment		11,922	363,522
Finance income		(927)	(8,634)
Share option costs		47,501	94,119
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(20,624)	89,532
Increase/(decrease) in trade and other payables		103,985	(150,878)
Cash absorbed in operations		(2,005,587)	(1,943,911)
Interest received		927	8,634
Income taxes received		296,309	215,089
Net cash flows used in operating activities		(1,708,351)	(1,720,188)
Investing activities			
Purchase of property, plant and equipment		(170,334)	(260,305)
Purchase of intangible assets		(39,684)	(88,993)
Net cash flows used in investing activities		(210,018)	(349,298)
Financing activities			
Proceeds net of costs from issue of equity instruments of the Company		23,940	70,770
Net cash flows from financing activities		23,940	70,770
Net increase / (decrease) in cash and cash equivalents		(1,894,429)	(1,998,716)
Cash and cash equivalents at the beginning of the year		3,534,438	5,533,154
Cash and cash equivalents at the end of the year	13	1,640,009	3,534,438

The notes on pages 10 to 29 form part of these financial statements.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

1. General information

These financial statements reflect the financial performance and position of Lamellar Biomedical Limited (the 'Company') for the year to 30 June 2019.

Lamellar Biomedical Limited is a private Company, limited by share capital and incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is given on the Company information page. The nature of its operations and its principal activity are set out in the Directors' Report. The Company is registered in Scotland.

The Company's principal place of business is Maxim 1, 2 Parklands Way, Eurocentral, Holytown, North Lanarkshire, ML1 4WR and Biocity, Scotland Bo'ness Rd, Motherwell, ML1 5UH.

2. Accounting policies

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards 'IFRS' adopted for use in the European Union as they apply to financial statements for the year ended 30 June 2019 and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies are set out in the following notes.

b) Basis of preparation

The financial statements have been presented in Pounds Sterling ('Sterling') as this is the currency of the primary economic environment in which the Company operates and all values are rounded to the nearest pound (£) except where otherwise indicated.

Estimates and judgements

The financial statements have been prepared on the historical cost basis. The accounting policies have been applied consistently in all material respects.

The preparation of financial statements requires the Board to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities as at each reporting date and the reported amounts of revenues and expenses during each reporting period. Any estimates and assumptions are based on experience and any other factors that are believed to be relevant under the circumstances and which the Board considers to be reasonable. Actual outcomes may differ from these estimates.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

2. Accounting policies (continued)

Any revisions to accounting estimates will be recognised in the year in which the estimate is revised if the revision affects only that year. If the revision affects both current and future periods, the change will be recognised over those periods.

Certain accounting policies which have a significant bearing on the reported financial condition and results of the Company require subjective or complex judgements. The principal such areas of judgement are:

Cost of share based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. Management are also required to use certain assumptions in determining the most appropriate inputs to the valuation model including expected life of the option, volatility, risk free rate and dividend yield. The assumptions and models used are fully disclosed in note 20.

Carrying value of intangible assets

As required by the Accounting Standards, when considering the carrying value of intangible assets, management are required to assess the asset for any indications of impairment and consider the probability of expected future economic benefit arising from such assets using reasonable and supportable assumptions. As the Company is still developing its LAMELLASOME™ technology and commercial outcomes are unknown at this time, management have elected to adopt a prudent approach and include a provision equal to the net book value of the patents at the reporting date.

Interpretation of accounting standards governing intangible assets places emphasis on greater certainty around the future economic benefits. The Directors anticipate such commercial engagement to commence at the requisite point of development of the products protected by the patents and trademarks within the intangible assets. Based on this, the directors will revise the provision and carrying value of the assets at that time.

Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 15 Revenue from Contracts with Customers

The Company has applied IFRS 15 as issued in May 2014, as well as Clarifications to IFRS 15 Revenue from Contracts with Customers issued in April 2016. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Company has adopted IFRS 15 with no impact to the amounts recognised in the financial statements.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

2. Accounting policies (continued)

New and revised IFRS in issue but not yet effective

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements.

- IFRS 16 'Leases'
- IFRS 17 'Insurance Contracts'
- IFRS 2 (amendment) Classification and Measurement of Share based Payment Transactions
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (amendments to IFRS 4)
- IAS 40 (amendment) 'Transfers of Investment Property'
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short term exemptions for first-time adopters
- AIP IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice

c) Going concern

At the reporting date, the Company had a cash balance of £1,640,009 and net assets of £2,257,070. As is standard for pre-sales biotechnology companies, the Company requires additional capital to finance the development of their products plus the ongoing operating costs of the business. The Directors are of the opinion that the Company will generate revenues from licensing and/or research collaboration transactions in the coming year as well as a planned equity raise to fund their product development program. Consequently, the Directors believe the Company is able to meet its liabilities and discharge its obligations for a period of at least 12 months from the date of signing of the financial statements. Accordingly the accounts have been prepared on a going concern basis.

d) Revenue and revenue recognition

Revenue represents amounts receivable from government grants and tax credits and is measured at the fair value of the consideration received or receivable.

e) Intangible assets

Patents

Patents are stated at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over their estimated useful lives. Amortisation costs are charged to administrative expenses. The useful lives are as follows:

Patents	-	20 years
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Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

2. Accounting policies (continued)

f) Property, plant and equipment

Plant and machinery is initially recognised at acquisition cost or manufactured cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, less accumulated depreciation and impairment losses.

Depreciation is provided at rates calculated to write off the cost of assets, less their estimated residual value, over their expected lives on the following bases:

Plant & machinery	-	over 5 years
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g) Impairment testing of intangible assets and property, plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

g) Leases

Lease payments under operating leases, where a significant proportion of the risks and benefits remain with the lessor, are recognised on a straight line basis over the term of the lease.

h) Financial assets and liabilities

Financial assets and liabilities are recognised when the Company unconditionally becomes a party to the contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are considered by the Directors to be a reasonable estimate of their fair values at each reporting date.

Financial assets include trade and other receivables and cash and cash equivalents; these are classified as loans and receivables. Financial liabilities include trade and other payables and borrowings; these are classified as other financial liabilities carried at amortised cost.

Trade and other receivables

Trade and other receivables are recognised initially at their fair value and subsequently at their amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the recoverability of the asset is at risk, appropriate allowances for any estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

2. Accounting policies (continued)

Trade and other payables

Trade and other payables are recognised initially at their fair value, net of transaction costs, and subsequently at their amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank including funds held in short to medium term deposit accounts.

i) Tax

Current tax

Current tax is based on taxable profit / (loss) for the year. Taxable profit/(loss) differs from 'profit/(loss) before tax' as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using rates that have been enacted during the reporting period.

j) Post-employment benefits

The Company provides post-employment benefits through a defined contribution plan. The assets of the scheme are held separately from those of the Company.

The Company has no defined benefit plans.

k) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Statement of Financial Position and transferred to the statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the statement of comprehensive income in the period in which they become receivable.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

2. Accounting policies (continued)

l) Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. Management are also required to use certain assumptions in determining the most appropriate inputs to the valuation model including expected life of the option, volatility, risk free rate and dividend yield. The assumptions and models used are fully disclosed in note 20.

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights.

m) Costs and expenses

Costs and operating expenses are recognised in income at the time services are rendered.

n) Investments

Investments are accounted for using the equity method. These are originally recognised at cost with subsequent movements reflecting the Company's share of net profit or loss recognised as other comprehensive income in the Statement of Comprehensive Income.

3. Segmental reporting

The Company has one operating segment, the development of intellectual property relating to pharmaceuticals based on the mimetics of extra-alveolar lamellar bodies. All expenditure, assets and liabilities relate to this activity. All operations are carried out in the United Kingdom.

4. Other operating income

	2019 £	2018 £
Government grants	-	32,819
R&D tax credits	-	13,153
	-	<u>45,972</u>

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

5. Operating loss

Loss for the year has been arrived at after charging:

	2019 £	2018 £
Operating lease expense	60,658	22,937
Depreciation of owned fixed assets	92,218	46,839
Amortisation of intangible assets	27,762	24,825
Provision for impairment (Note 2)	11,922	363,522
Research and development costs	1,157,197	1,121,407
Auditor's remuneration	8,200	7,800

6. Finance income

	2019 £	2018 £
Bank interest receivable	927	8,634

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

7. Staff costs

	2019 £	2018 £
Salaries	804,765	836,038
Social security costs	84,939	56,566
Pension costs	50,725	18,792
Share-based payments	47,501	94,119
	<u>987,931</u>	<u>1,005,515</u>

The average number of persons (including Directors) employed by the Company during the year was:

	2019	2018
Management	7	7
Administration	2	2
Laboratory	5	6
	<u>14</u>	<u>15</u>

The remuneration of the Directors, is set out below in aggregate:

	2019 £	2018 £
Short-term employee benefits	328,272	280,427
Compensation for loss of office	-	29,925
Post-employment benefits	11,631	12,302
Share-based payments	28,122	49,294
	<u>368,024</u>	<u>371,948</u>

The number of Directors who accrued benefits under money purchase pension schemes amounted to 2 (2018: 1). The highest paid Director received emoluments, including pension contributions, of £148,618 (2018: £131,736).

No Directors exercised share options in the year or the prior year. The number that received shares under long term incentive plans during the year was nil (2018: nil). The number of Directors whose share options lapsed during the year was nil (2018: nil).

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

8. Taxation

	2019 £	2018 £
Current tax		
UK current tax credit on loss for the period	(346,906)	(285,655)
Tax on loss on ordinary activities	(346,906)	(285,655)
Loss on ordinary activities before tax	(2,267,425)	(2,403,236)
Normal applicable rate of tax	19.00%	19.00%
Loss on ordinary activities multiplied by normal rate	(430,811)	(456,615)
Effects of:		
Expenses not deductible for tax purposes	9,349	20,208
Research and development tax reliefs	(149,269)	(122,913)
Deferred tax adjustments	223,824	273,665
UK tax charge	(346,906)	(285,655)

The Company has unused tax losses of £8,834,664 (2018: £7,215,080).

No deferred tax asset is recognised in respect of these losses due to uncertainty over their recoverability.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

9. Property, plant and equipment

	Plant & machinery £	Total £
Cost		
At 1 July 2018	392,367	392,367
Additions	170,334	170,334
At 30 June 2019	562,701	562,701
Depreciation		
At 1 July 2018	117,592	117,592
Charge for the year	92,218	92,218
At 30 June 2019	209,810	209,810
Net book value		
At 30 June 2019	352,891	352,891
At 30 June 2018	274,775	274,775

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

10. Intangible assets

	Patents	Total
	£	£
Cost		
At 1 July 2018	534,976	534,976
Additions	39,684	39,684
At 30 June 2019	574,660	574,664
Amortisation		
At 1 July 2018	534,976	534,976
Charge for the year	27,761	27,761
Provision for impairment	11,922	11,922
At 30 June 2019	574,660	574,660
Net book value		
At 30 June 2019	-	-
At 30 June 2018	-	-

Included in amortisation at 1 July 2018 is an impairment provision of £363,522 which has been made in line with the accounting policy (note 2). The Directors anticipate revising the provision when the commercial activity on the products protected by the intangible assets reaches a point of greater certainty.

11. Investments

	Unlisted investments	Total
	£	£
Cost		
At 30 June 2018 and 30 June 2019	16,600	16,600
Impairment		
At 1 July 2018 and 30 June 2019	16,600	16,600
Net book value		
At 30 June 2019	-	-
At 30 June 2018	-	-

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Notes to the financial statements for the year ended 30 June 2019

12. Trade and other receivables

	2019 £	2018 £
VAT recoverable	84,966	54,011
Prepayments and accrued income	152,670	163,002
	<u>237,636</u>	<u>217,013</u>
Current tax assets	<u>362,433</u>	<u>311,836</u>

The fair values of the Company's trade and other receivables are considered to equate to their carrying amounts. The maximum exposure to credit risk for trade receivables is represented by their carrying amount. There are no financial assets which are past due but not impaired. No financial assets are impaired.

13. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and on hand	<u>1,640,009</u>	<u>3,534,438</u>

Cash balances are held with Bank of Scotland and Clydesdale Bank and earn interest at floating rates based on daily bank deposit rates.

14. Trade and other payables

	2019 £	2018 £
Trade payables	128,712	88,171
Accruals and deferred income	184,804	122,101
Other taxes and social security	22,383	21,642
	<u>335,899</u>	<u>231,914</u>

The fair values of the Company's trade and other payables are considered to equate to their carrying amounts.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

15. Financial instruments

Classification

All financial assets have been classified as loans and receivables, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Risk management objectives

Management identify and evaluate financial risks on an on-going basis. The principal risks to which the Company is exposed are market risk (including interest rate risk, and cash flow risk), credit risk, and liquidity risk.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks arise from open positions in interest-bearing assets and liabilities.

Interest rate risk

The Company's interest-bearing assets comprise only cash and cash equivalents. As the Company's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Company's income.

Currency Risk

The Company is exposed to minimal foreign currency risk; sensitivity analysis on foreign currency exposure is therefore not relevant to the Company.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash balances (including bank deposits, cash and cash equivalents) and credit exposures to trade receivables. The Company's maximum exposure to credit risk is represented by the carrying value of cash and cash equivalents, trade and other receivables.

Credit risk is managed by monitoring clients and performing credit checks before accepting any customers and by placing funds only with banks with high credit-ratings assigned by international credit-rating agencies.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

16. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Company seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs.

A summary table with maturity of financial assets and liabilities presented below is used by management to manage liquidity risks. The amounts disclosed in the following tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not material.

The maturity analysis of financial instruments at 30 June 2019 is as follows:

Analysis by contractual maturities:						
	Carrying amount	Demand and less than 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Total
	£	£	£	£	£	£
Assets:						
Cash and cash equivalents	1,640,009	1,640,009	-	-	-	1,640,009
Trade and other receivables	84,966	84,966	-	-	-	84,966
Current tax assets	362,433	362,433	-	-	-	362,433
Liabilities:						
Trade and other payables	(335,899)	(335,899)	-	-	-	(335,899)
	<u>1,751,509</u>	<u>1,751,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,751,509</u>

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

16. Financial instruments (continued)

The maturity analysis of financial instruments at 30 June 2018 is as follows:

Analysis by contractual maturities:						
	Carrying amount	Demand and less than 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Total
	£	£	£	£	£	£
Assets:						
Cash and cash equivalents	3,534,438	3,534,438	-	-	-	3,534,438
Trade and other receivables	54,011	54,011	-	-	-	54,011
Current tax assets	311,836	311,836	-	-	-	311,836
Liabilities:						
Trade and other payables	(231,914)	(231,914)	-	-	-	(231,914)
	3,668,371	3,668,371	-	-	-	3,668,371

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern. The Company's overall strategy remained unchanged during the year.

The capital structure of the Company consists of cash and cash equivalents, issued capital, the share premium account and retained earnings. The Company is not subject to any externally imposed capital requirements.

As part of the Company's management of capital structure, consideration is given to the cost of capital.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

17. Share capital

<u>Authorised, issued and fully paid share capital</u>	2019	2018
	£	£
10,000 (2018: 10,000) Ordinary shares of £0.01 each	100	100
204,312 (2018: 204,084) A Ordinary shares of £0.01 each	2,043	2,041
54,744 (2018: 54,744) Preference shares of £0.01 each	547	547
	2,690	2,688

Shares issued and fully paid	Ordinary Shares		Ordinary A Shares		Preference Shares		Share premium
	Number of shares	Share capital £	Number of shares	Share capital £	Number of shares	Share capital £	
As at 1 July 2017	10,000	100	203,410	2,034	54,744	547	14,855,235
Issue of shares	-	-	674	7	-	-	70,763
Transaction costs	-	-	-	-	-	-	-
As at 30 June 2018	10,000	100	204,084	2,041	54,744	547	14,925,998
Issue of shares	-	-	228	2	-	-	23,938
Transaction costs	-	-	-	-	-	-	-
As at 30 June 2019	10,000	100	204,312	2,043	54,744	547	14,949,936

Share capital represents the nominal value of ordinary shares issued and fully paid.

Holders of Ordinary, A Ordinary and Preference shares are entitled to one vote per share at meetings of the Company. They have the right to receive dividends as declared from time to time.

In the event of cessation of the Company's activities, the assets of the Company remaining after the payment of its liabilities shall be distributed in order of priority to Preference Shareholders followed by A Ordinary and Ordinary Shareholders.

Share premium is the excess amount received by the Company over the par value of shares issued.

Retained earnings represent accumulated profits and losses to date.

During the year, 228 A Ordinary shares were issued at £105 per share for a consideration of £23,940 in cash.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

18. Operating leases

The total future value of minimum lease payments is due as follows:

	30 June 2019 £	30 June 2018 £
Not later than one year	93,781	61,458
Later than one year and not later than five years	228,720	271,511
	322,501	332,969

19. Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year were as follows:

	30 June 2019 £	30 June 2018 £
Short-term benefits	540,101	480,387
Compensation for loss of office	-	29,925
Post-employment benefits	16,884	17,427
Share based payments	41,425	62,597
	598,410	590,336

20. Share based payments

Details of the employee share option plan of the Company

The Company has a share option scheme for employees and consultants, which comprises Part A, a share option scheme approved by HMRC (the Approved Scheme) and Part B, an unapproved share option scheme (the Unapproved Scheme). All options are exercisable only upon an Exit Event.

The following share-based payment arrangements were in existence during the year ended 30 June 2019.

Grant date	Number	Expiry date	Exercise price	Fair value (per share) at grant date
Employment Options granted under Part A				
23 April 2013	1,252	22 April 2023	£60	£17.39
23 April 2013	3,228	22 April 2023	£35	£21.46
1 September 2014	600	31 August 2024	£35	£21.46
1 October 2014	300	30 September 2024	£35	£21.46
30 November 2014	1,768	29 November 2024	£35	£21.46
30 September 2015	1,300	29 September 2025	£105	£64.37
4 March 2016	400	3 March 2026	£105	£64.37

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

20. Share based payments (continued)

Employment Options granted under Part B

23 April 2013	300	22 April 2023	£35	£21.46
23 April 2013	752	22 April 2023	£50.35	£18.79
23 April 2013	308	22 April 2023	£60	£17.39
29 May 2014	29	28 May 2024	£60	£17.39
30 November 2014	2,896	29 November 2024	£35	£21.46
31 March 2016	1,700	30 March 2026	£105	£64.37
30 April 2018	400	29 April 2028	£105	£64.37

If an employee or consultant ceased to be associated with the Company, their options lapsed. If an exit event does not occur before the expiry date, the options lapse.

Movements in share options during the year

Employment Options granted under Part A	Year ended 30 June 2019		Year ended 30 June 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the period	8,848	£51.99	8,848	£51.99
Granted during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Balance at the end of the period	8,848	£51.99	8,848	£51.99

Employment Options granted under Part B	Year ended 30 June 2019		Year ended 30 June 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the period	6,385	£56.99	7,609	£62.73
Granted during the period	-	-	400	£105.00
Lapsed during the period	-	-	(1,624)	£76.00
Balance at the end of the period	6,385	£56.99	6,385	£56.99

Share options exercised during the years

There were no share options exercised in the year ended 30 June 2019 or the prior year.

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

20. Share based payments (continued)

Share options outstanding at the end of the period

The share options outstanding at the end of the period had a weighted average exercise price and a weighted average remaining contractual life as shown below:

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average exercise price	£57	£57
Weighted average remaining contractual life	5.3 years	7.2 years

The charge to the Statement of Comprehensive Income for the year ended 30 June 2019 of £47,501 (2018: £94,119) represents the allocation of cost for the share options, based on the Directors' estimate of the number of share options expected to be exercised in due course.

The fair value of Employment Options is estimated at the date of grant using a Black-Scholes option pricing model. The following assumptions have been used in calculating the fair value of share options:

	Employment Options
Valuation method	Black-Scholes
Risk free interest rate	2.00%
Expected life (average years)	10
Expected volatility	50%
Dividend yield	0%

The risk free interest rate is based on the government gilt rate that is commensurate with the average expected life of the option. The expected life of the options is the expected average point at which an option becomes exercisable. The expected volatility is based on historical volatility of the share price of the Company and of quoted comparable companies over the most recent period at the date of grant that is commensurate with the average expected life of the option. The weighted average share price used in each calculation was equal to the option exercise price.

21. Capital commitments

No capital commitments have been identified at the reporting date.

22. Related party transactions

Barwell Consulting Ltd, a company in which A C G Mackie is a Director, received £43,775 (2018: £89,601) in respect of management and accountancy fees.

Marlin Bioconsulting Ltd, a company of which G Clark was a Director during the year, received £5,326 (2018: £11,738) in respect of management fees.

The balance due to Barwell Consulting Limited at the year end was £4,535 (2018: £4,580).

The balance due to Marlin Bioconsulting Limited at the year end was £nil (2018: £1,026).

Lamellar Biomedical Limited

Notes to the financial statements for the year ended 30 June 2019

23. Controlling party

There is no single controlling undertaking or party.

24. Post balance sheet events

There have been no significant events occurring since the reporting date.