

Registered Number: 02120375

**A. Menarini Diagnostics Limited
Annual report
for the year ended 31 December 2022**



A. Menarini Diagnostics Limited

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A. Menarini Diagnostics Limited

Officers and professional advisers

Directors

J Coffey
C Luchetti
N Caroen

Secretary

C Luchetti

Registered office

405 Wharfedale Road
Winnersh
Wokingham
Berkshire
RG41 5RA

Bankers

National Westminster Bank Plc
PO Box 400
209 Lower Addiscombe Road
Croydon
CR9 6RB

Solicitors

Herrington & Carmichael
8 Shute End
Wokingham
Berkshire
RG40 1BL

Independent auditors

A.C.T. Audit
48 Dover Street
Mayfair
London W1S 4FF
UK

A. Menarini Diagnostics Limited

Strategic report

The directors present their strategic report on the company for the year ended 31 December 2022.

Review of the business

During the year the company's Revenue has decreased by 59% to £14,727,266 (2021: £36,060,408) and generated a substantial loss for the financial year of £3,456,677 (2021: Profit £8,889,946). Revenue generated related to COVID -19 sales during the year is £1,256,471 (2021: £20,729,796).

The company's main product focus is on diabetes and the continuing growth in the prevalence of diabetes has led to an increase in the potential market for two of the company's main products: HbA1c analysers and blood glucose monitors. In addition to the market size increasing the company has been able to grow its market share in both of these areas, especially in blood glucose monitoring. GlucoMen Areo, has contributed strongly to the improvement in profitability of the company. The launches of the blood glucose meter Glucofix Tech have helped in maintaining strong market share in a highly competitive sales environment. In the home glucose testing area, market share growth has continued to be negatively offset by continued parallel imports which have impacted the local sales of blood glucose sensors.

In the laboratory area, continued growth in Urine Sediment analysis and the expansion of the Histopathology instrument range are continuing to open up significant opportunities for the company. The NHS laboratory market is now undergoing a period of significant consolidation, which will result in fewer laboratories with much larger workloads. As the company has some of the highest throughput systems on the market in several product areas, it is well placed to exploit this consolidation.

The financial position of the company is presented in the statement of financial position. Total shareholders' funds at 31 December 2022 were £18,851,356 (2021: £22,308,033) comprising fixed assets of £1,160,534 (2021: £1,165,799) and net current assets of £17,690,822 (2021: £21,142,234). The Directors are satisfied with the current financial position.

Key performance indicators

Performance is measured by the growth in Revenue year on year. In 2022 Revenue decreased by 40.84% to £14,727,266 (2021: £36,060,408). The substantial decrease in Revenue compared to prior year is explained in the review of the business section above.

Principal risks and uncertainties

Business risks are managed by the Company in coherence with the guidelines developed by the parent company. The management team meets monthly and evaluates the company's risk. The principal risks and uncertainties facing the company are broadly grouped as competitive.

Competitive Risks - the Company continues to face cost pressures and we continue to look to reduce spend and maintain our margins as our key customers continue to drive pricing down.

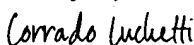
A. Menarini Diagnostics Limited

Strategic report (continued)

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

The main strategies developed in order to optimize the risk opportunity profile of the Company are described in the Directors' Report in the "Future Prospects" section.

By order of the board

DocuSigned by:

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C Luchetti

Secretary

giugno 22, 2023 | 12:03 CEST

Date _____

A. Menarini Diagnostics Limited

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2022.

Principal activities

The company's principal activity continued to be the provision of pharmaceutical and medical diagnostic products.

Results and dividends

The company's Loss for the financial year was £3,456,677 (2021: Profit £8,889,946). The directors do not recommend the payment of a dividend for the year (2021: £nil).

Political Donations

The company did not make any political donations during the year (2021: none).

Future prospects

As the worldwide prevalence of diabetes is expected to increase steadily over the next 20 years, growth in the company's key markets is expected to continue. New educational and marketing initiatives are expected to reinforce the positive growth in company image and market share. In blood glucose monitoring, the company's market share growth is faster than the market growth rate as Menarini's GlucoMen products are becoming increasingly appreciated by both patients and healthcare professionals.

In the laboratory products area, the group is investing in the Histopathology markets and this will result in increased growth for this business in the coming years. The SediMax has now become the gold standard for automated urine microscopy and will continue a very positive growth phase for the company's laboratory business. More new products in this area, particularly in the areas of Histopathology and Digital Imaging are expected to switch the company's focus from the lower margin glycated haemoglobin business into the higher margin and higher growth areas of molecular biology.

Continuing in 2023 the company is significantly expanding its product lines to include a blend of core laboratory and near-patient testing solutions. As the Covid testing market matures the launch of a syndromic, infectious disease panel is important to generate long term, sustainable partnerships with our healthcare clients. The launch of a near patient solution to test for common seasonal respiratory infections (Flu A/B and RSV) with the addition of Covid provides healthcare professionals with a rapid tool to help triage patients and offers a critical insight on the most appropriate treatment pathways. Additional product releases in the near patient sector include systems to rapidly screen TB and other infections and monitor the effectiveness of novel therapeutic drug regimes.

Building upon the success of molecular testing systems, the company has released a fully automated real-time-PCR analysis system, the Prime MDx. The design of the platform offers a total unattended workflow with primary tube input capability. The launch menu of this new system offers a comprehensive panel targeted at the unmet need of monitoring transplant patients for viral infections. The menu offering will be expanded throughout 2023 and beyond.

A. Menarini Diagnostics Limited

Directors' report (continued)

Future prospects (continued)

Throughout 2023 the company will continue to grow its commercial partnerships and expand its product offerings. These strategic partnerships will reduce the company's historic dependence on key partners and will grow revenues across all key healthcare segments.

The financial statements have been prepared on the going concern basis as the parent company A. Menarini Participations Internationales S.A. has indicated its willingness to provide financial support to the company for at least twelve months after the approval of the Financial Statements of the company for the year ended 31 December 2022.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. Further to this the company seeks to minimise the risk of uncertain funding in its operations by borrowing from other group companies where necessary. The company does not use derivative financial instruments to manage interest rate or foreign exchange costs.

Price risk

The company is exposed to purchase price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to purchase price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The principal credit risk the company faces is that of non-payment of invoices for goods supplied. The company has implemented policies that require appropriate credit checks on potential non-NHS customers before sales are made.

Liquidity risk

The company actively maintains an appropriate level of debt to fulfil its liquidity needs through borrowing from group companies and by maintaining cash reserve.

Interest rate cash flow risk

The company has interest bearing assets. Interest bearing assets include only cash balances which earn interest at a variable rate.

Foreign exchange risk

The company makes sales and purchases in foreign currencies. The company's policy is to review the level of foreign currency balances on a regular basis and to recognise any associated gains and losses as they arise. The company does not maintain any forward hedging contracts as foreign exchange risk is managed at a group level.

A. Menarini Diagnostics Limited

Directors' report (continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

P Tolan (Resigned 10th March 2022)
A Khan (Resigned 21st September 2022)
N Samaille (Resigned 20th January 2023)
G Masselli (Resigned 26th January 2023)

J Coffey (Appointed 23rd January 2023)
C Luchetti (Appointed 26th January 2023)
N Caroen (Appointed 26th January 2023)

Qualifying third-party and pension scheme Indemnity Provisions

During the financial year and at the time of this report being approved no third-party indemnity provisions and/or qualifying pension scheme indemnity provision is in place for the benefit of the directors or an associated company.

Events after the end of the reporting period

As set out in note 19 to the financial statements, Directors are discussing a potential claim with their main distributor. The directors, supported by their legal advisors, did not consider probable any outflow related to the above-mentioned claim. As a result of this, no provision has been accrued as at 31 December 2022.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (FRS 102).

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 estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

A. Menarini Diagnostics Limited

Directors' report (continued)

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

Directors' Confirmations

In the case of each directors in office at the date the Directors' Report is approved:

- so far as the directors are all aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

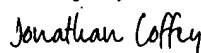
Matters covered in the strategic report

The review of the business has been disclosed in the strategic report.

Independent Auditors

The auditors, A.C.T Audit, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed in accordance with section 489 of the Companies Act 2006.

On behalf of the board

DocuSigned by:

898F15893C554E6...

J Coffey

Director

Date June 22, 2023 | 10:53 BST

A. Menarini Diagnostics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.MENARINI DIAGNOSTICS LIMITED

Opinion

We have audited the financial statements of A.Menarini Diagnostics Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

A. Menarini Diagnostics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.MENARINI DIAGNOSTICS LIMITED (CONTINUED)

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

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 Strategic report or Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8 and 9, 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.

A. Menarini Diagnostics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.MENARINI DIAGNOSTICS LIMITED (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with the director and other management, and from our commercial knowledge and experience of the pharmaceutical sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental (including Waste Electrical and Electronic Equipment recycling (WEEE) Regulations 2013) and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the

A. Menarini Diagnostics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.MENARINI DIAGNOSTICS LIMITED (CONTINUED)

accounting estimates set out in note 4 were indicative of potential bias; and

- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the director and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 that 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.

ACT AUDIT LIMITED

Mr Francesco Lepri (Senior Statutory Auditor)
for and on behalf of ACT Audit Limited
Chartered Accountants and Statutory Auditors
48 Dover Street
Mayfair, London
W1S 4FF

Date: 22/06/2023

A. Menarini Diagnostics Limited

Statement of Income and Retained Earnings for the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue	5	14,727,266	36,060,408
Cost of sales		(10,373,121)	(19,437,132)
Gross profit		4,354,145	16,623,276
Administrative expenses		(7,124,412)	(6,894,043)
Operating (Loss) / Profit	7	(2,770,267)	9,729,233
Interest receivable and similar income	8	29,277	1,191
Interest payable and similar expenses	9	(7,707)	(8,398)
(Loss) / Profit before taxation		(2,748,697)	9,722,026
Tax on Loss / Profit	10	(707,980)	(832,080)
(Loss) / Profit for the financial year		(3,456,677)	8,889,946
Accumulated Losses at the beginning of Reporting Year		(11,191,967)	(20,081,913)
Accumulated Losses at the end of Reporting Year		(14,648,644)	(11,191,967)

All results derive from continuing operations.

There is no material difference between the (loss)/profit before taxation and (loss)/profit for the years stated above and their historical cost equivalents.

The company has no other comprehensive income or losses other than those included in the above.

The notes on pages 16 to 28 are an integral part of these financial statements.

A. Menarini Diagnostics Limited**Statement of Financial Position
As at 31 December 2022**

	Note	2022	2021
		£	£
Fixed assets			
Tangible assets	11	1,160,534	1,165,799
Current assets			
Inventories	12	2,339,575	1,801,839
Debtors	13	2,634,279	3,901,014
Cash at bank and in hand		15,912,142	18,942,244
		20,885,996	24,645,097
Creditors: amounts falling due within one year	15	(3,195,174)	(3,502,863)
Net current assets		17,690,822	21,142,234
Total assets less current liabilities		18,851,356	22,308,033
Net assets		18,851,356	22,308,033
Capital and reserves			
Called up share capital	16	33,500,000	33,500,000
Accumulated Losses		(14,648,644)	(11,191,967)
Total shareholders' funds		18,851,356	22,308,033

The notes on pages 16 to 28 are an integral part of these financial statements.

The financial statements on pages 1 to 28 were approved by the board of directors on June 22, 2023 and were signed on its behalf by:

J Coffey
Director

DocuSigned by:
Jonathan Coffey
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A. Menarini Diagnostics Limited
Registered no.: 02120375

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022

1. General Information

A. Menarini Diagnostics Limited ('the company') principal activity continued to be the provision of pharmaceutical and medical diagnostic products. The company purchases the vast majority of these products from its parent company in Europe, and sells these in the UK and Ireland. The company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is 405 Wharfedale Road, Winnersh, Wokingham, Berkshire, England, United Kingdom RG41 5RA.

2. Statement of Compliance

The individual financial statements of A. Menarini Diagnostics Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant 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.

a) Basis of preparation

These financial statements are prepared on a going concern basis and under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Going concern

The company meets its day-to-day working capital requirements through its own trading performance. The company has also received from the parent company, A. Menarini Participations Internationales S.A., a confirmation of willingness to continue to provide financial support to the company for the foreseeable future and at least 12 months from the signing date of the audit opinion of these financial statements if the need arises. The company therefore continues to adopt the going concern basis in preparing these financial statements.

A. Menarini Diagnostics Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the exemptions as follows:

- i) a reconciliation of the number of shares outstanding at the beginning and end of the year;
- ii) the requirement to prepare a statement of cash flows;
- iii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated and key management personnel compensation in total;

d) Foreign currency

i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings within "Interest payable and similar expenses" if related to borrowings and within "Operating profit" if related to other.

e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when:

- i) the significant risks and rewards of ownership have been transferred to the buyer
- ii) the company retains no continuing involvement or control over the goods
- iii) the amount of revenue can be measured reliably
- iv) it is probable that future economic and services benefits will flow to the entity

A. Menarini Diagnostics Limited has two areas of sales; one is for the sale of Self Testing Diabetes products sold to various Pharmaceutical distributors, the revenue for these sales are recognised at the time of dispatch of goods. The second is the sale of Medical instruments and associated reagents to the NHS and other medical research centres. The revenue is recognised at the time of dispatch for all sales. A number of sites have leased instruments under contract agreements where the revenue is recognised on straight line basis over term of the lease.

On 1 January 2007, the company entered a distribution contract with Medicon Ltd to expand sales in Ireland. On the basis of the contract, the company recognises revenue as Medicon made sales to third parties and a percentage of the Revenue is deducted as commission to the distributor. All Revenue is from sales within the United Kingdom and Ireland.

A. Menarini Diagnostics Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

f) Employee benefits

i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the Statement of income and retained earnings when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

g) Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible assets is their historic purchase cost, together with any incidental costs of acquisition. Depreciation is provided on cost in equal annual instalments over the estimated economic useful lives of the assets. The rates of depreciation are as follows:

Assets held for use in operating leases	5 years straight line
Plant & Machinery	3 years straight line
Fixtures & Fittings	10 years straight line

h) Leasing

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged against income on straight line basis over the term of the lease. The company holds no finance leases.

Assets held for use in operating leases to customers are included as a separate category in fixed assets at cost and depreciated over their useful economic life. Rental income from operating leases is recognised as Revenue on a straight-line basis over the term of the lease.

i) Inventories

Inventory comprises principally goods held for resale and instrument parts. The cost of inventory is its purchase cost determined on a weighted average basis, together with any incidental costs of acquisition. Inventory is valued at the lower of cost and net realisable value. Provision is made for impairment due to obsolete, slow-moving or defective items where appropriate.

j) Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

k) Financial Instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial Assets

Basic financial assets, including trade and other debtors cash and bank balances are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expires or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial Liabilities

Basic financial liabilities, including trade creditors and amount owed to group undertakings, bank loans, loans from fellow group companies that are classified as debt, 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 receipts discounted at a market rate of interest.

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 and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expire.

iii) Offsetting

Financial assets and liabilities are offset and 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.

A. Menarini Diagnostics Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

i) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the Statement of income and retained earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

ii) Deferred Tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These 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 recognised on all timing difference at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

i) Related party disclosures

The company has taken advantage of the exemption set out in FRS 102 section 33 "Related party disclosure" from disclosing related party transactions with entities that are part of the A. Menarini Industrie Farmaceutiche Riunite s.r.l.

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

4. Critical accounting judgements and estimation

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

▪ Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 3(g) for the useful economic lives for each class of assets.

▪ Inventory provisioning

When calculating the inventory provision necessary to ensure inventory is not held at amount above its net realisable value, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and equipment together with the ageing and Revenue of the inventory. See note 12 for the net carrying amount of the inventory and associated provision.

▪ Deferred tax asset

When calculating the amount of deferred tax asset to be recognised with respect to losses, management is required to estimate future profits using a profit forecast model. See note 14 for the carrying amount of deferred tax assets. The Company did not recognise any DTA based on a prudent approach on future profit forecast.

A. Menarini Diagnostics Limited

Notes to the financial Statements For the year ended 31 December 2022 (continued)

5. Revenue

All Revenue recognised are from sales of goods in the United Kingdom and Ireland only.

	2022 £	2021 £
Revenue by Geography		
UK	11,887,562	34,485,599
Ireland	2,839,704	1,574,809
	14,727,266	36,060,408
	2022 £	2021 £
Revenue by Category		
Sales of Goods	8,007,861	29,422,909
Lease Services	6,719,405	6,637,499
	14,727,266	36,060,408

6. Employees' and directors' costs

	2022 £	2021 £
Directors' remuneration		
Aggregate emoluments	142,501	226,145
Company pension contributions to money purchase schemes	7,811	33,212
	150,312	259,357

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to two (2021: one).

Two of the directors of the company are employed by another group company which remunerated them for their directorship without recharging any cost to the company (2021: two).

The directors of the company are considered to be the only key management.

	2022 £	2021 £
Staff costs during the year (including directors)		
Wages and salaries	3,604,031	3,849,528
Social security costs	462,067	472,543
Other pension costs (note 16)	362,775	404,255
	4,428,873	4,726,326

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

6. Employees' and directors' costs (Continued)

The average monthly number of employees (including directors) during the year was as follows:

By activity	2022 Number	2021 Number
Sales	27	30
Service	14	14
Marketing	8	10
Administration	10	12
Warehouse	3	3
	62	69

7. Operating (Loss) / Profit

	2022 £	2021 £
Operating (loss) / profit is after charging:		
Depreciation of tangible assets- owned	395,142	497,254
Rentals under operating leases:		
- Plant and machinery	86,004	70,334
- Other operating leases	229,215	228,532
Services provided by the company's auditors		
- Fees payable for the audit	24,000	42,700
Impairment of Inventory	95,547	333,522
Exchange Gain / (Loss)	119,501	(49,149)
Cost of inventories recognised as an expense	9,740,606	17,617,878

8. Interest receivable and similar income

	2022 £	2021 £
Bank interest receivable	29,277	1,191

9. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	7,707	8,398

A. Menarini Diagnostics Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

10. Tax on Loss / Profit

	2022	2021
	£	£
Current tax		
United Kingdom corporation tax on profit for the year	-	586,697
Total current tax	-	586,697
Deferred Tax		
Total deferred tax	707,980	245,383
Tax on Loss / Profit	707,980	832,080

Reconciliation of tax charge

The tax charge for the year is lower (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19.00% (2021: 19.00%). The difference is explained below:

	2022	2021
	£	£
Profit / (Loss) before taxation	(2,748,697)	9,722,026
Profit multiplied by standard rate in the UK of 19.00% (2021: 19.00%)	(522,252)	1,847,185
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	79,624	97,012
Income not taxable for tax purpose	(5,563)	(227)
Tax losses utilised this year	-	(253,064)
Unrelieved tax losses carried forward	-	(704,617)
Provision Adjustment	(5,152)	(6,873)
Capital allowances	(150,901)	(147,336)
Unrelieved Losses carried forward	604,244	-
Deferred tax assets previous year – written off	707,980	-
Tax on Loss / Profit	707,980	832,080

The company's profit for the year is taxed at standard rate of 19.00% (2021: 19.00%).

Furthermore, in the Spring Budget 2022, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. As the change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

10. Tax on Loss / Profit (continued)

Unrelieved Tax Losses Carried Forward

As at 31 December 2022 there were unrecognised deferred tax assets at 25% (2021:25%) as follows:

	2022 £	2021 £
Accelerated capital allowances	38,433	108,961
Other timing differences	14,937	21,716
Tax losses	3,546,630	2,826,243
Total unrecognised asset	3,600,000	2,956,920

11. Tangible assets

	Assets held for use in operating leases £	Plant and Machinery £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2022	4,662,230	299,788	326,445	5,288,463
Additions	394,809	18,812	-	413,621
Disposals	(498,715)	(63,656)	(9,364)	(571,736)
At 31 December 2022	4,558,324	254,944	317,081	5,130,349
Accumulated depreciation				
At 1 January 2022	3,728,296	197,106	197,262	4,122,664
Charge for the financial year	338,274	33,638	23,240	395,142
Disposals	(475,163)	(63,464)	(9,364)	(547,991)
At 31 December 2022	3,591,407	167,270	211,138	3,969,814
Net book amount				
At 31 December 2022	966,917	87,674	105,943	1,160,534
At 31 December 2021	933,934	102,682	129,183	1,165,799

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

12. Inventories

	2022 £	2021 £
Finished goods and goods for resale	2,339,575	1,801,839

Value of inventory is not materially different from replacement cost of inventories and it's carrying amount after provisions for impairment of £247,513 (2021: £286,661).

13. Debtors

	2022 £	2021 £
Trade debtors	1,745,338	2,741,714
Amounts owed by group undertakings	421,501	159,379
Other debtors	105,878	119,580
Deferred tax asset	-	704,617
Prepayments and accrued income	361,562	175,724
	2,634,279	3,901,014

Amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment and are repayable on demand.

14. Deferred Tax

As at 31 December 2022 £0 (2021: £704,617) has been provided in respect of deferred taxation.

The Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. The deferred tax assets are recognised for deductible temporary differences and unused tax losses when future taxable profits against which it can be utilised are foreseen with sufficient certainty in the future. There were recognised deferred tax assets at 25% (2021: 25%) as follows:

	2022 £	2021 £
Deferred tax asset brought forward	704,617	950,000
Deferred tax asset utilised / written off during the year	(704,617)	(950,000)
Deferred tax asset recognised in the current year	--	704,617
Total Deferred Tax Asset	-	704,617

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	278,208	61,716
Amounts owed to group undertakings	1,580,500	2,145,576
Taxation and social security	767,468	706,936
Accruals and deferred income	568,998	588,635
	3,195,174	3,502,863

Amounts owed to group undertakings are unsecured, interest free and have no fixed date for repayment.

16. Called up share capital

	2022 £	2021 £
Authorised		
40,000,000 (2021: 40,000,000) ordinary shares of £1 each	40,000,000	40,000,000
Allotted and fully paid		
33,500,000 (2021: 33,500,000) ordinary shares of £1 each	33,500,000	33,500,000

No new shares have been allotted in 2022 (2021: no new shares).

17. Pension costs

The pension cost charge represents contributions payable by the company into personal pension plans (defined contribution pension scheme) and amounted to £362,775 (2021: £404,255). There was no pension creditor at year end (2021: £ nil).

18. Financial commitments

At 31 December the company had total commitments under non-cancellable operating leases expiring as follows:

	2022		2021	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	211,198	67,705	211,198	53,982
Between one and five years	80,398	65,401	293,126	43,138
	291,596	133,106	504,324	97,120

A. Menarini Diagnostics Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

19. Post balance sheet events

The Directors are discussing around a potential claim received on 28th March 2023 by our main Distributor. The Directors, supported by their legal advisors, did not consider probable any outflow related to the above-mentioned claim. As a result of this, no provision has been accrued as at 31 December 2022.

20. Ultimate parent undertaking and controlling party

A.Menarini Diagnostics Limited is a wholly owned subsidiary of A. Menarini Participations Internationales S.A. incorporated in Luxembourg.

The company's ultimate parent and controlling party is Pharmafin SpA, a company incorporated in Via Ulisse Aldrovandi 7, 20129 Milano, Italy. A. Menarini Industrie Farmaceutiche Riunite s.r.l, a company incorporated in 3 Via Sette Santi, 50131 Florence, Italy and Pharmafin SpA prepares group financial statements and are respectively the smallest and largest group for which group financial statements are drawn up and publicly available, and of which A. Menarini Diagnostics Limited is a member.

Copies of Group financial statements for both Pharmafin SpA and A. Menarini Industrie Farmaceutiche Riunite s.r.l are available from the company secretary at 3 Via Sette Santi, 50131 Florence, Italy.

21. Related Party Disclosures

All related party transactions took place between company and entities that are wholly owned within A. Menarini Industrie Farmaceutiche Riunite s.r.l Group and therefore are exempt from disclosure.

See note 6 for disclosure of the directors' remuneration and key management compensation.