

Biocomposites (UK) Limited

Annual report and financial statements

Registered number 03854291

31 December 2017



Contents

Strategic report	3
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Biocomposites (UK) Limited	6
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2017.

Principal activities

The principal activity of the company is that of an intermediate holding company, holding 100% of Biocomposites Limited, Biocomposites Inc and Biocomposites Shanghai Limited. The principal activities of its subsidiary companies are the manufacturing and sale of medical implants.

A review of the company's operations is not relevant in isolation of a review of the group's operations, which is set out within the consolidated financial statements of Matrix Topco Limited.

The results for the year are shown on page 8 of the financial statements. The profit for the year is primarily a result of dividend income from investments.

The directors are satisfied with the performance and financial position of the Company.

Business review and results

During the year the shareholders of the company accepted an offer from Matrix Bidco Limited to acquire 100% of the issued share capital of the company. Pursuant to this offer, 1,732 options to acquire ordinary shares in the company, at £800 per share, were exercised and all of the issued shares of the company were acquired by Matrix Bidco Limited on 31 May 2017.

The company makes quarterly management charges to its subsidiary, Biocomposites Limited, totalling £400,000 for the year and prior to 31 May 2017 also incurred certain corporate costs of £278,000 on behalf of the group. On 29 December 2017, the company received a dividend of from Biocomposites Limited of £20,523,000.

Any further review of the company's operations is not relevant in isolation of a review of the acquired group's operations, which is set out within the consolidated financial statements of Matrix Topco Limited.

By order of the board



Mr J S Bratt
CEO

Biocomposites (UK) Limited
Keele Science Park
Keele
Staffordshire
ST5 5NL
September 2018

24th

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company is that of a holding company. The principal activities of the subsidiary undertakings are the sale of medical implants.

Dividend

The directors do not recommend the payment of a dividend (2016: £3,000,000).

Directors

The directors who held office during the year were as follows:

Mr J S Bratt
Mr J J Cooper (resigned 31 May 2017)
Dr R D Waters (resigned 31 May 2017)
Mr M J Hesp
Mr H B Bratt (resigned 31 May 2017)
Mr S M Fitzer (appointed 31 May 2017)

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2016: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Mr J S Bratt
Director

Biocomposites (UK) Limited
Keele Science Park
Keele
Staffordshire
ST5 5NL
24th September 2018

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Independent auditor's report to the members of Biocomposites (UK) Limited

Opinion

We have audited the financial statements of Biocomposites (UK) Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's report to the Members of Biocomposites (UK) Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

26/9/18

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Other operating income		400	300
Administrative expenses	2	(278)	(125)
Operating profit		122	175
Income from shares in group undertakings		20,523	4,000
Profit before taxation		20,645	4,175
Tax on profit	3	(85)	(45)
Profit for the financial year, being total comprehensive income		20,560	4,130

All operations are classed as continuing.

The notes on pages 11 to 16 form part of these financial statements.

Company Balance Sheet
at 31 December 2017

	<i>Note</i>	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments	4		639		90
			<hr/>		<hr/>
Current assets					
Debtors	5	24,347		407	
Cash at bank and in hand		106		2,000	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	6	24,453 (162)		2,407 (61)	
		<hr/>		<hr/>	
Net current assets			24,291		2,346
			<hr/>		<hr/>
Total assets less current liabilities			24,930		2,436
			<hr/>		<hr/>
Net assets			24,930		2,436
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	7	-	-	-	-
Share premium account		3,284		1,899	
Other reserves		-		-	
Profit and loss account		21,646		537	
		<hr/>		<hr/>	
Shareholders' funds			24,930		2,436
			<hr/>		<hr/>

These financial statements were approved by the board of directors on ^{24th} September 2018 and were signed on its behalf by:



Mr J S Bratt
CEO

Company registered number: 03854291

The notes on pages 11 to 16 form part of these financial statements.

Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Other reserves £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2016	-	1,899	-	(593)	1,306
Total comprehensive income for the year					
Profit	-	-	-	4,130	4,130
Total comprehensive income for the year	-	-	-	4,130	4,130
Transactions with owners recorded directly in equity					
Dividends	-	-	-	(3,000)	(3,000)
Total contributions by and distributions to owners	-	-	-	(3,000)	(3,000)
Balance at 31 December 2016	-	1,899		537	2,436

	Called up Share capital £000	Share Premium account £000	Other reserves £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2017	-	1,899	-	537	2,436
Total comprehensive income for the year					
Profit	-	-	-	20,560	20,560
Total comprehensive income for the year	-	-	-	20,560	20,560
Transactions with owners recorded directly in equity					
Issue of shares	-	1,386	-	-	1,386
Equity-settled share based payment Transactions	-	-	-	549	549
Total contributions by and distributions to owners	-	1,386	-	549	1,935
Balance at 31 December 2017	-	3,284	-	21,646	24,930

The notes on pages 11 to 16 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Biocomposites (UK) Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 03854291 and the registered address is Keele Science Park, Keele, Staffordshire, ST5 5NL.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Matrix Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Matrix Topco Limited are available to the public and may be obtained from Keele Science Park, Keele, Staffordshire, ST5 5NL. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Biocomposites (UK) Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The parent company, Matrix Topco Limited has confirmed its intention to continue to support the business for at least twelve months from the date of the approval of this report.

The directors have a reasonable expectation that, with this support, the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Impairment excluding stocks and deferred tax assets

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Notes (continued)

1 Accounting policies (continued)

1.7 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1 Expenses and auditor's remuneration

Included in profit are the following:

	2017 £000	2016 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	3	10

2 Directors' remuneration

The remuneration of the directors was borne by other companies within the Biocomposites group. The proportion of their services provided to Biocomposites (UK) Limited are incidental to their services to the group and accordingly no allocation is made in these accounts. Directors' remuneration is disclosed in full in the accounts of Matrix Topco Limited.

Notes (continued)

3 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	2016 £000
<i>Current tax</i>		
Current tax on income for the year	78	45
Adjustments in respect of prior years	7	-
	<hr/>	<hr/>
Total tax	85	45
	<hr/>	<hr/>

All taxation relates to UK corporation tax and has been recognised in profit and loss.

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	20,560	4,130
Total tax expense	85	45
	<hr/>	<hr/>
Profit excluding taxation	20,645	4,175
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.25% (2016: 20.0%)	3,974	835
Dividends received not subject to Corporation Tax	(3,950)	(800)
Non-deductible expenses	54	10
Adjustments in respect of previous years	7	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	85	45
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

From 1 April 2017, the main rate of corporation tax was reduced to 19%. A Further reduction to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 December 2017 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

4 Fixed asset investments

	Investment in Group Undertakings £000	Total £000
<i>Cost and net book value</i>		
At 1 January 2017	90	90
Additions	549	549
	<hr/>	<hr/>
At 31 December 2017	639	639
	<hr/>	<hr/>

Notes (continued)

4 Fixed asset investments (continued)

The increase in investments is a result of capital contributions to the subsidiaries below. Certain employees in these entities were granted share options in the equity of Biocomposites (UK) Limited. These options vested and were exercised in 2017.

The company has a 100% direct interest in the following undertakings at the year end. (2016:100%)

<i>Subsidiary undertakings</i>	Country of Incorporation	Address	Principal activity
Biocomposites Limited	United Kingdom	Keele Science Park, Keele, Staffordshire, England, ST5 5NL	Manufacture of medical implants
Biocomposites Inc	United States of America	700 Military Cutoff Road, Suite 320, Wilmington, NC 28405	Sale and marketing of medical implants
Biocomposites Shanghai	China	Unit 704 Greentech Tower, No 436 Heng Feng Road, Shanghai 200070	Sale and marketing of medical implants

5 Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	24,347	397
Other debtors	-	10
	24,347	407
Due within one year	24,347	407
Due after more than one year	-	-
	24,347	407

6 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	-	16
Taxation and social security	161	45
Amounts owed to group undertakings	1	-
	162	61

7 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Authorised</i>		
22,500,000 ordinary shares of £0.01 each	225	225
<i>Allotted, called up and fully paid</i>		
32,386 ordinary shares of £0.01 each (at 1 January 2016 and 31 December 2016)	-	-
Issue of 1,732 ordinary shares of £0.01 each	-	-
34,118 ordinary shares of £0.01 each (at 31 December 2017)	-	-

Notes (continued)

7 Capital and reserves (continued)

All share capital is classified within shareholders' funds.

On 31 May 2017, 1,732 ordinary shares with an aggregate nominal value of £17.32 were allotted for cash at £800.00 each on the exercise of share options, increasing the share premium account by £1,385,600.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

8 Share based payments

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	£800	1,732	£800	1,732
Exercised during the year		(1,732)		-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	-	-	£800	1,732
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the year		-		-
		<hr/>		<hr/>

All options vested as a result of the change of ownership event on 31 May 2017. The fair value of the options was £317.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options was measured using the Black-Scholes option pricing model.

All options were granted to employees of subsidiaries of Biocomposites (UK) Limited and accordingly, the expense related to the options is recognised in the financial statements of these subsidiaries. An increase to the value of investments has been recognised in these financial statements to reflect the capital contributions made to the subsidiaries.

9 Ultimate parent company and parent company of a larger group

The Company is a subsidiary undertaking of Matrix Topco Limited. The ultimate controlling party is TA Associates Management LLP.

The only group in which the results of the Company are consolidated is that headed by Matrix Topco Limited. The consolidated financial statements of Matrix Topco Ltd are available to the public and may be obtained from Keele Science Park, Keele, Staffordshire, ST5 5NL.