

Medartis Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Medartis Limited

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Medartis Limited

Company Information

Directors	W Miesch C D A Wilcher
Company secretary	D Leutwyler
Registered office	17a St Christopher's Way Pride Park Derby DE24 8JY
Bankers	Natwest Unit 40, 56 Churchill Square Brighton And Hove BN1 2ES
Auditors	Ashgates Corporate Services Limited 5 Prospect Place Millennium Way Pride Park Derby DE24 8HG

Medartis Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Statement of directors responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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; 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.

Directors of the company

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

W Miesch

C D A Wilcher

Principal activity

The principal activity of the company is to provide medical devices for surgical fixation of bone fractures for upper and lower extremities as well as for the craniomaxillofacial region.

Financial instruments

Going concern

The company is funded by its parent company Medartis AG and the directors of Medartis AG have confirmed in writing that they will support the company, as required, for a period of at least twelve months from the signing of the financial statements. Through inquiry the directors have formed a judgement at the time of approving the financial statements there is reasonable expectation that the parent company has adequate resources to provide this support. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Directors' liabilities

The Articles of Association of the company contains an indemnity in favour of all of the directors of the company that, subject to law, indemnifies the directors, out of the assets of the company, from any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part).

Medartis Limited

Directors' Report for the Year Ended 31 December 2018

Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 28 October 2019 and signed on its behalf by:

.....
C D A Wilcher
Director

Medartis Limited

Independent Auditor's Report to the Members of Medartis Limited

Disclaimer of opinion

We were engaged to audit the financial statements of Medartis Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of Income and Retained Earnings, Balance Sheet, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the basis for disclaimer of opinion on financial statements section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion of these financial statements.

Basis for disclaimer of opinion on financial statements

We were appointed as auditors of the company in May 2019, which is after the year-end of 31 December 2018 and thus we did not observe the counting of physical inventories or the 'Medisets' category within fixed assets at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2017 and 31 December 2018, which are stated in the balance sheet at £4,481,225 and £5,162,007 respectively and similarly Mediset quantities which had a carrying value of £419,023 and £563,119 respectively. Furthermore due to the nature of the company's business model we have been unable to obtain sufficient audit evidence to support the valuation of inventory nor the valuation of Medisets at either 31 December 2017 or 31 December 2018. As a result of being unable to get sufficient evidence over the valuation and existence of inventory and Medisets at 31 December 2017 and 31 December 2018 we are unable to conclude on revenue, along with associated trade receivables, and cost of sales. Revenue is recognised as a result of usage by the customers who hold the inventory on consignment. As the existence of inventory and Medisets cannot be confirmed the completeness of revenue, trade receivables and cost of sales cannot be confirmed.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, 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.

Independent Auditor's Report to the Members of Medartis Limited

Matters on which we are required to report by exception

Notwithstanding our disclaimer of opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the Directors' Report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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

Responsibilities of directors

As explained more fully in the Directors Report [set out on page 2], 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 responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Medartis Limited

Independent Auditor's Report to the Members of Medartis Limited

Use of our report

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

.....

Gavin Robert Booth (Senior Statutory Auditor)

For and on behalf of Ashgates Corporate Services Limited, Statutory Auditor

5 Prospect Place
Millennium Way
Pride Park
Derby
DE24 8HG

28 October 2019

Medartis Limited

Statement of Income and Retained Earnings for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	4,193,979	3,588,493
Cost of sales		<u>(2,426,305)</u>	<u>(1,705,079)</u>
Gross profit		1,767,674	1,883,414
Administrative expenses		(2,053,066)	(1,709,946)
Other operating income	4	<u>398,636</u>	<u>-</u>
Operating profit	5	<u>113,244</u>	<u>173,468</u>
Profit before tax		<u>113,244</u>	<u>173,468</u>
Profit for the financial year		113,244	173,468
Retained earnings brought forward		<u>(1,699,465)</u>	<u>(1,872,933)</u>
Retained earnings carried forward		<u><u>(1,586,221)</u></u>	<u><u>(1,699,465)</u></u>

The notes on pages [9](#) to [17](#) form an integral part of these financial statements.

Medartis Limited

(Registration number: 04604437) Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	589,886	437,457
Current assets			
Stocks	11	5,162,007	4,481,225
Debtors	12	813,570	857,534
Cash at bank and in hand		155,042	79,556
		<u>6,130,619</u>	<u>5,418,315</u>
Creditors: Amounts falling due within one year	13	<u>(4,606,726)</u>	<u>(3,855,237)</u>
Net current assets		<u>1,523,893</u>	<u>1,563,078</u>
Net assets		<u>2,113,779</u>	<u>2,000,535</u>
Capital and reserves			
Called up share capital	15	3,700,000	3,700,000
Profit and loss account	16	<u>(1,586,221)</u>	<u>(1,699,465)</u>
Total equity		<u>2,113,779</u>	<u>2,000,535</u>

Approved and authorised by the Board on 28 October 2019 and signed on its behalf by:

.....

C D A Wilcher
Director

The notes on pages [9](#) to [17](#) form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of the registered office is given in the company information on page 1 of these financial statements.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in Sterling (£) and rounded to the nearest £1.

Summary of disclosure exemptions

The company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The company is funded by its parent company Medartis AG and the directors of Medartis AG have confirmed in writing that they will support the company, as required, for a period of at least twelve months from the signing of the financial statements. Through inquiry the directors have formed a judgement at the time of approving the financial statements there is reasonable expectation that the parent company has adequate resources to provide this support. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements

Notes to the Financial Statements for the Year Ended 31 December 2018

Key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised, if the revision only affects that period, or in the period of revision and future period if the revision affects both the current and future periods.

The estimates and assumptions which have risk of causing material adjustment to the carrying amount of assets and liabilities are set out below:

Impairment of stock:

Management routinely review stock holdings in order to assess the recoverability of the cost of stocks and the associated impairment. Management calculates impairments by considering the nature and condition of the stocks and applies assumptions around anticipated saleability of the goods.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable losses.

Notes to the Financial Statements for the Year Ended 31 December 2018

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Mediset	20 - 50% straight line basis
Fixtures and fittings	20 - 33% straight line basis
Office equipment	33 - 50% straight line basis

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis,

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Medartis Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2018	2017
	£	£
Sale of medical devices	<u>4,193,979</u>	<u>3,588,493</u>

The analysis of the company's turnover for the year by market is as follows:

	2018	2017
	£	£
UK	<u>4,193,979</u>	<u>3,588,493</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018	2017
	£	£
Miscellaneous other operating income	<u>398,636</u>	<u>-</u>

5 Operating profit

Arrived at after charging/(crediting)

	2018	2017
	£	£
Depreciation expense	241,024	353,069
Operating lease expense - property	25,000	25,560
Operating lease expense - other	44,212	47,847
Loss on disposal of property, plant and equipment	<u>23,772</u>	<u>26,252</u>

Medartis Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£	£
Wages and salaries	1,052,458	784,632
Social security costs	123,172	87,876
Other short-term employee benefits	6,951	8,436
Pension costs, defined contribution scheme	33,816	32,314
Other employee expense	5,831	1,007
	<u>1,222,228</u>	<u>914,265</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018	2017
	No.	No.
Sales and management	<u>15</u>	<u>11</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£	£
Remuneration	184,236	167,776
Contributions paid to money purchase schemes	2,148	1,206
	<u>186,384</u>	<u>168,982</u>

8 Auditors' remuneration

	2018	2017
	£	£
Audit of the financial statements	<u>9,200</u>	<u>7,448</u>

Medartis Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Taxation

Tax charged/(credited) in the income statement

	2018 £	2017 £
Current taxation		
UK corporation tax	-	-
Tax expense/(receipt) in the income statement	-	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	113,244	173,468
Corporation tax at standard rate	21,516	32,959
Effect of expense not deductible in determining taxable profit (tax loss)	1,857	9,518
Tax (decrease)/increase from effect of capital allowances and depreciation	(2,473)	67,083
Tax decrease from effect of unrelieved tax losses brought forward	(20,900)	(109,560)
Total tax charge/(credit)	-	-

Factors that may affect future tax charges

The company has tax losses carried forward totalling £988,959 (2017 - £1,098,959). This gives rise to a potential deferred tax asset of £187,902 (2017 - £208,802). This is not recognised within the financial statements.

The company has depreciated assets in excess of capital allowances. The deferred tax asset not recognised in the period was £100,739 (2017 - £103,213).

Medartis Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tangible assets

	Medisets £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 January 2018	2,576,515	59,686	36,463	2,672,664
Additions	393,843	-	24,511	418,354
Disposals	(104,329)	-	(1,542)	(105,871)
At 31 December 2018	2,866,029	59,686	59,432	2,985,147
Depreciation				
At 1 January 2018	2,157,492	42,532	35,182	2,235,206
Charge for the year	226,087	7,833	7,104	241,024
Eliminated on disposal	(80,669)	-	(300)	(80,969)
At 31 December 2018	2,302,910	50,365	41,986	2,395,261
Carrying amount				
At 31 December 2018	563,119	9,321	17,446	589,886
At 31 December 2017	419,023	17,154	1,280	437,457

11 Stocks

	2018 £	2017 £
Finished goods and goods for resale	5,162,007	4,481,225

The cost of stocks recognised as an expense in the year amounted to £2,426,305 (2017 - £1,705,078).

Impairment of stocks

The amount of impairment loss included in profit or loss is £345,003 (2017 - £192,901).

12 Debtors

	2018 £	2017 £
Trade debtors	792,251	825,423
Other debtors	3,750	3,751
Prepayments	17,569	28,360
	813,570	857,534

Medartis Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Creditors

	Note	2018 £	2017 £
Due within one year			
Trade creditors		42,729	46,312
Amounts due to group undertakings	18	4,144,781	3,510,195
Social security and other taxes		233,082	212,499
Other creditors		28,256	19,241
Accrued expenses		157,878	66,990
		<u>4,606,726</u>	<u>3,855,237</u>

14 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £33,816 (2017 - £32,314).

15 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	3,700,000	3,700,000	3,700,000	3,700,000

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Each share has full rights in the company with respect to voting, dividends and distributions.

16 Reserves

Profit and loss account

The profit and loss account represents cumulative profits net of dividends and other adjustments.

Medartis Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

17 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	46,394	69,575
Later than one year and not later than five years	26,751	32,499
	<u>73,145</u>	<u>102,074</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £69,212 (2017 - £73,407).

18 Related party transactions

Summary of transactions with other related parties

The company has taken advantage of the exemption available under FRS102 from disclosing transactions with entities that are part of the same group.

19 Financial instruments

Categorisation of financial instruments

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	796,001	829,174
	<u>796,001</u>	<u>829,174</u>
Financial liabilities measured at amortised cost	4,215,766	3,575,747
	<u>4,215,766</u>	<u>3,575,747</u>

20 Parent and ultimate parent undertaking

The company's immediate parent is Medartis AG, incorporated in Switzerland.

The ultimate parent and ultimate controlling entity is Medartis Holding AG, incorporated in Switzerland.

The parent of the largest group in which these financial statements are consolidated is Medartis Holding AG, incorporated in Switzerland.

The address of Medartis Holding AG is:
Hochbergerstrasse 60E
4057 Basel

These financial statements are available on request.