

Bionical Limited

Annual report and consolidated
financial statements

Registered number 07059600

31 December 2016

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Company information

Directors	A D Leaver G McIntosh A T Borkowski
Registered number	07059600
Registered office	The Boardwalk Mercia Marina Findern Lane Willington Derbyshire DE65 6DW
Independent auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Directors' report

The directors present their annual report and the consolidated financial statements for the year ended 31 December 2016.

Principal activity

The Group's principal activity is the provision of healthcare services.

Proposed dividends

The directors do not recommend a payment of a dividend (2015: *Nil*).

Directors

The directors who held office during the year and up to the date of this report were:

AD Leaver
G McIntosh
AT Borkowski - appointed on 1 January 2016

Future developments

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Disclosure of information to auditors

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 auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Smith Cooper Limited resigned as auditor during the year and KPMG LLP were appointed. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 28/9/17 and signed on its behalf by:


G McIntosh
Director

The Boardwalk
Mercia Marina
Findern Lane
Willington
Derbyshire
DE65 6DW

Strategic report

Business review and key financial performance indicators

Within this report the directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties the Group faces.

The overall demand for healthcare services in the UK and USA will continue to rise mainly due to an ageing population and medical advances. This ultimately will benefit healthcare services companies such as Bionical. The Group is a leading independent healthcare services provider. Through the supply of our specialised healthcare services, the Group improves outcomes for clients and patients globally.

The Group uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2016	As restated 2015
	£000	£000
Turnover	30,029	18,856
Gross margin	29%	33%
Recurring operating profit	1,358	2,342
Net cash from operating activities	(24)	703

The Group delivered another year of rapid growth in 2016, with sales revenue increasing by 59% from £18.9 million to £30.0 million. The Group's employee headcount also increased from 156 to 239 during the year.

Additionally, as we are a service organisation and people are key, over £2 million of investment (annualised) was made in key hires and infrastructure across the Group (including senior management, business development, IT, finance and HR). This strategic upfront investment was made to ensure the Group has a robust platform for future growth, although the additional cost base has had a short-term impact on recurring operating profit, falling from £2.3 million in 2015 to £1.4 million in 2016.

Management, with both the successful ongoing implementation of their long term strategic plans and the continued support of the Group's private equity investors, are confident of a significant enhancement in both sustainable revenue and EBITDA in 2017 and beyond.

In November 2016, the Group acquired EMAS Pharma Limited ('EMAS'), a global clinical research organisation that provides biopharma and medical device services, and is the third acquisition the Group has made in the past 18 months. Founded in 1998, EMAS offers a myriad of clinical trial services from drug safety and clinical operations, to strategic planning for product development and regulatory support. EMAS has a footprint in about all key regions worldwide and operations spreading in all continents.

The Group has significantly expanded its global healthcare sector services offering and continues to focus on improving patient outcomes by accelerating products to approval and enhancing communication to patents, nurses and physicians post approval, increasing access to products and enhancing outcomes for patients. To enhance the delivery of this strategy the Group is now structured through three business units:

- Clinical research organisation: clinical trial services, supplying comparator products to enable pharmaceutical manufacturers to complete clinical trials and gain regulatory approval and, from November 2016, a clinical research offering through EMAS including clinical operations, regulatory, pharmacovigilance and medical affairs;
- Health outcomes: nurse and healthcare practitioner led services designed to optimise patient outcomes and experience. NHS, public health and lifestyle services including clinical home healthcare, HCP and patient engagement, nurse education teams, service assessment and design, consultation support software and virtual & digital programmes; and

Strategic report *(continued)*

Business review and key financial performance indicators *(continued)*

- **Communications:** a range of business and commercialisation support services. They include digital communications from mobile apps to website development and integrated healthcare management platforms, insight consultancy, HealthTech, creative and branding. As well as the provision of sales engagement teams, recruitment services and contact centre services for pharma and healthcare clients.

The range of the Groups services is broad and many synergy opportunities exist between them, some of which are yet to be optimised. At the heart of all of these services lies a common aim – improved outcomes. For both clients and patients, this is achieved by improving access to and impact of medicines, and through patient focus, enhancing communication and optimising behaviour. The Group achieves this in a unique way. In all of its activities, the Group leverages its in-house behavioural change expertise and employs compelling behavioural and engagement techniques to accelerate positive behavioural change.

Principal risks and uncertainties

The Group's risk management process includes an assessment of the likelihood and potential impact of a range of events to determine the overall risk level and to identify actions necessary to mitigate their impact. The following risks have been identified as ones which could have a material impact on the future financial performance of the Group and cause results to differ materially from expected and historical results. Additional risks which are not currently known or which are regarded as immaterial could also affect future performance.

Financial risk management

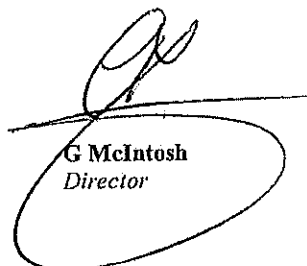
The Group's operations expose it to a variety of financial risks including the effects of credit risk, exchange rate risk and interest rate risk. The directors mitigate these risks by ensuring that the Group is operated in a financially responsible manner, ensuring external debt is kept to a minimum and hedging against foreign exchange rate fluctuations where possible.

Market and customer related risk

The Group supplies services and products to the corporate and public sector markets and is affected by macro-economic conditions. The directors seek to mitigate risks by seeking to minimise its cost base and adapt to market conditions when adverse market events occur and by monitoring credit exposures.

Considering the risks and uncertainties the Group has identified, we are aware that any plans for the future development of the business may be subject to unforeseen events outside our control.

This report was approved by the board on 28-9.17 and signed on its behalf by:



G McIntosh
Director

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

The directors are responsible for preparing the Directors' Report, the Strategic 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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditors' report to the members of Bionical Limited

We have audited the financial statements of Bionical Limited for the year ended 31 December 2016 set out on pages 7 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report and the Strategic report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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 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.

Anthony Hambleton

Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Date: 29/9/17

Consolidated profit and loss account and other comprehensive income
for the year ended 31 December 2016

	<i>Note</i>	Recurring £000	2016 Non- recurring, related party transactions, depreciation and amortisation £000	Total £000	Recurring £000	As restated 2015 Non- recurring, related party transactions, depreciation and amortisation £000	Total £000
Turnover	3	30,029	-	30,029	18,856	-	18,856
Cost of sales		(21,450)	-	(21,450)	(12,576)	-	(12,576)
Gross profit		8,579	-	8,579	6,280	-	6,280
Administrative expenses	4	(7,221)	(3,115)	(10,336)	(3,938)	(1,238)	(5,176)
Operating (loss)/profit	4	1,358	(3,115)	(1,757)	2,342	(1,238)	1,104
Interest receivable and similar income		1	-	1	1	-	1
Interest payable and similar expenses	7	(74)	(1,070)	(1,144)	-	(369)	(369)
(Loss)/profit before taxation		1,285	(4,185)	(2,900)	2,343	(1,607)	736
Tax on (loss)/profit	8	(163)	211	48	(360)	84	(276)
(Loss)/profit for the year		1,122	(3,974)	(2,852)	1,983	(1,523)	460
<i>Other comprehensive income</i>							
Foreign exchange differences on translation of foreign operations		486	-	486	118	-	118
Other comprehensive income for the year		486	-	486	118	-	118
Total comprehensive income for the year		1,608	(3,974)	(2,366)	2,101	(1,523)	578

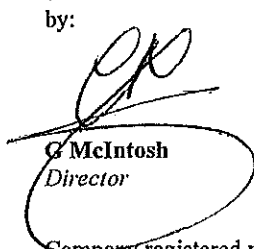
In both the current and preceding year, the Group had no discontinued operations.

In the current year the Group acquired the entire share capital of EMAS Pharma Limited, and in the prior year acquired the entire share capital of North 51 Limited and McCallan LLC, see note 9.

Consolidated balance sheet
as at 31 December 2016

	Note	2016		As restated 2015	
		£000	£000	£000	£000
Fixed assets					
<i>Intangible assets</i>					
Goodwill	10		11,563		4,723
Other intangible assets	10		3,677		1,836
			<hr/>		<hr/>
			15,240		6,559
Tangible assets	11		673		465
			<hr/>		<hr/>
			15,913		7,024
Current assets					
Stocks	13	427		433	
Debtors: amounts falling due within one year	14	7,066		5,317	
Cash at bank and in hand	15	3,807		1,347	
			<hr/>		<hr/>
			11,300		7,097
Creditors: amounts falling due within one year	16	(9,473)		(6,562)	
			<hr/>		<hr/>
Net current assets			1,827		535
			<hr/>		<hr/>
Total assets less current liabilities			17,740		7,559
Creditors: amounts falling due after more than one year	17		(19,138)		(6,908)
Provisions for liabilities					
Deferred tax liability	19		(750)		(448)
			<hr/>		<hr/>
Net (liabilities)/assets			(2,148)		203
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	20		-		-
Share premium account	20		48		33
Foreign exchange reserve	20		604		118
Profit and loss account			(2,800)		52
			<hr/>		<hr/>
Shareholders' (deficit)/funds			(2,148)		203
			<hr/> <hr/>		<hr/> <hr/>

The financial statements were approved by the board of directors on 28/9/17 and were signed on its behalf by:


G McIntosh
Director

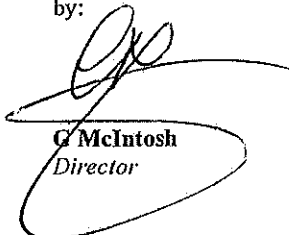
Company registered number: 07059600

Company balance sheet
as at 31 December 2016

	Note	2016		As restated 2015	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		65		31
Tangible assets	11		184		282
Investments	12		16,870		5,027
			<u>17,119</u>		<u>5,340</u>
Current assets					
Stocks	13	301		400	
Debtors: amounts falling due within one year	14	6,266		4,680	
Cash at bank and in hand	15	1,571		657	
			<u>8,138</u>		<u>5,737</u>
Creditors: amounts falling due within one year	16	<u>(5,059)</u>		<u>(3,672)</u>	
Net current assets			<u>3,079</u>		<u>2,065</u>
Total assets less current liabilities			<u>20,198</u>		<u>7,405</u>
Creditors: amounts falling due after more than one year	17		<u>(18,732)</u>		<u>(6,199)</u>
Provisions for liabilities					
Deferred tax liability	19		(13)		(17)
Net assets			<u>1,453</u>		<u>1,189</u>
Capital and reserves					
Called up share capital	20		-		-
Share premium account	20		48		33
Profit and loss account			1,405		1,156
Shareholders' funds			<u>1,453</u>		<u>1,189</u>

The Company has taken the exemption in Section 408 of the Companies Act 2006 to not separately disclose the parent company profit and loss account. The Company's profit for the year was £249,000 (2015: £1,564,000).

The financial statements were approved by the board of directors on 28/9/17 and were signed on its behalf by:


C McIntosh
Director

Company registered number : 07059600

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2015	-	-	-	(408)	(408)
Comprehensive income for the year					
Profit for the year – as restated	-	-	-	460	460
<i>Other comprehensive income</i>					
Foreign exchange differences on translation of foreign operations	-	-	118	-	118
	-----	-----	-----	-----	-----
Total comprehensive income for the year	-	-	118	460	578
	-----	-----	-----	-----	-----
Transactions with owners, recorded directly in equity					
Issue of shares	-	33	-	-	33
	-----	-----	-----	-----	-----
At 31 December 2015 as restated	-	33	118	52	203
	=====	=====	=====	=====	=====

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2016	-	33	118	52	203
Comprehensive income for the year					
Loss for the year	-	-	-	(2,852)	(2,852)
<i>Other comprehensive income</i>					
Foreign exchange differences on translation of foreign operations	-	-	486	-	486
	-----	-----	-----	-----	-----
Total comprehensive income for the year	-	-	486	(2,852)	(2,366)
	-----	-----	-----	-----	-----
Transactions with owners, recorded directly in equity					
Issue of shares	-	15	-	-	15
	-----	-----	-----	-----	-----
At 31 December 2016	-	48	604	(2,800)	(2,148)
	=====	=====	=====	=====	=====

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
At 1 January 2015	-	-	(408)	(408)
Total comprehensive income for the year				
Profit for the year	-	-	1,564	1,564
<hr/>				
Transactions with owners, recorded directly in equity				
Issue of shares	-	33	-	33
<hr/>				
At 31 December 2015	-	33	1,156	1,189
<hr/> <hr/>				

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2016	-	33	1,156	1,189
Total comprehensive income for the year				
Profit for the year	-	-	249	249
<hr/>				
Transactions with owners, recorded directly in equity				
Issue of shares	-	15	-	15
<hr/>				
At 31 December 2016	-	48	1,405	1,453
<hr/> <hr/>				

Consolidated cash flow statement
for the year ended 31 December 2016

	<i>Note</i>	2016 £000	As restated 2015 £000
Cash flows from operating activities			
(Loss)/profit for the year		(2,852)	460
<i>Adjustments for:</i>			
Depreciation and amortisation	10,11	2,815	940
Interest payable and similar expenses	7	1,144	369
Interest receivable and similar income		(1)	(1)
Taxation	8	(48)	276
		1,058	2,044
Decrease/(increase) in stocks		18	(326)
Decrease/(increase) in trade and other debtors		50	(1,817)
(Increase)/decrease in trade and other creditors		(506)	819
		620	720
Tax paid		(644)	(17)
Net cash from operating activities		(24)	703
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	10	64	-
Interest received		1	1
Acquisition of subsidiaries (net of cash acquired)		(5,881)	(5,260)
Acquisition of tangible fixed assets	11	(269)	(132)
Acquisition of intangible fixed assets	10	(99)	(103)
Net cash from investing activities		(6,184)	(5,494)
Cash flows from financing activities			
Issue of ordinary shares		15	33
Purchase of debenture loans		9,467	5,850
Repayment of finance leases		(39)	(3)
Interest paid		(793)	(255)
Net cash from financing activities		8,650	5,625
Net increase in cash and cash equivalents		2,442	834
Effect of exchange rate fluctuations on cash held		18	9
Cash and cash equivalents at the beginning of year	15	1,347	504
Cash and cash equivalents at the end of year	15	3,807	1,347

Notes

(forming part of these financial statements)

1 Accounting policies

Bionical Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 07059600 and the registered address is The Boardwalk, Mercia Marina, Findern Lane, Willington, Derbyshire, DE65 6DW.

These Group and parent company 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”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- 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.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1. Prior period adjustment

Company

The Company has recognised a prior period adjustment in relation to classification of loans falling due within one year. The adjustment has resulted in a change to the Company’s liabilities previously recognised, as loans falling due within one year have increased by £1,016,000 and loans falling due after more than one year have decreased by £1,016,000.

Group

The Group has recognised prior period adjustments in relation to the following identified items:

1. Correction to the acquisition accounting of North 51 Limited (see note 9) including recognition of identifiable intangible assets (and associated deferred tax liabilities) on acquisition together with the resultant adjustments to the amortisation of goodwill and intangible assets;
2. An error made by management in the assessment of the performance of certain contracts leading to a reduction in the recognition of 2015 revenue, profit before tax and accrued income, with an associated corporation tax benefit;
3. Correction to the classification of loans falling due within one year and loans falling due in more than one year, in line with the terms of the loan agreement;

Notes (continued)

1 Accounting policies (continued)

1.1. Prior period adjustment (continued)

Group (continued)

4. The restatement of deferred consideration on the acquisition of McCallan Health LLC by including the impact of discounting future consideration payments;
5. Correction to the acquisition accounting of McCallan Health LLC (see note 9) including recognition of identifiable intangible assets (and associated deferred tax liabilities) on acquisition together with the resultant adjustments to the amortisation of goodwill and intangible assets;
6. Correction of errors on the subsequent consolidation of McCallan Health LLC and the treatment of intercompany funding as part of the net investment in the foreign operation.

The adjustments have resulted in a change to the Group's assets, liabilities, income and expense previously recognised, as follows:

	As previously stated £000	As at 31 December 2015						As restated £000
		1	2	Prior year adjustments		5	6	
	£000	£000	£000	3 £000	4 £000	£000	£000	£000
Fixed assets								
<i>Intangible assets</i>								
Goodwill	6,489	(1,201)	-	-	(211)	(519)	165	4,723
Other intangible assets	32	1,276	-	-	-	528	-	1,836
Tangible fixed assets	434	-	-	-	-	-	31	465
	6,955	75	-	-	(211)	9	196	7,024
Current assets								
Stocks	433	-	-	-	-	-	-	433
Debtors (due with one year)	5,399	-	(41)	-	-	-	(41)	5,317
Cash at bank and in hand	1,343	-	-	-	-	-	4	1,347
	7,175	-	(41)	-	-	-	(37)	7,097
Creditors: amounts due within one year	(4,816)	-	(256)	(1,016)	(413)	-	(61)	(6,562)
Net current assets	2,359	-	(297)	(1,016)	(413)	-	(98)	535
Creditors: amounts falling due after more than one year	(8,495)	-	-	1,016	578	-	(7)	(6,908)
Provisions for liabilities: Deferred tax liability	(21)	(241)	-	-	-	(185)	(1)	(448)
Net assets	798	(166)	(297)	-	(46)	(176)	90	203
Capital and reserves								
Called up share capital	-	-	-	-	-	-	-	-
Share premium account	33	-	-	-	-	-	-	33
Foreign exchange reserve	(98)	-	-	-	-	-	216	118
Profit and loss account	863	(166)	(297)	-	(46)	(176)	(126)	52
Shareholders' equity	798	(166)	(297)	-	(46)	(176)	90	203

Notes (continued)

1 Accounting policies (continued)

1.1. Prior period adjustment (continued)

Group (continued)

	As previously stated £000	For the year ended 31 December 2015						As restated £000
		1	2	Prior year adjustments		5	6	
	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	19,232	-	(371)	-	-	-	(5)	18,856
Cost of sales	(12,578)	-	-	-	-	-	2	(12,576)
Gross profit	6,654	-	(371)	-	-	-	(3)	6,280
Administrative expenses	(4,638)	(232)	-	-	-	(194)	(112)	(5,176)
Operating profit	2,016	(232)	(371)	-	-	(194)	(115)	1,104
Other interest receivable and similar income	2	-	-	-	-	-	(1)	1
Interest payable and similar expenses	(316)	-	-	-	(46)	-	(7)	(369)
Profit before taxation	1,702	(232)	(371)	-	(46)	(194)	(123)	736
Taxation	(431)	66	74	-	-	18	(3)	(276)
Profit for the year	1,271	(166)	(297)	-	(46)	(176)	(126)	460

1.2. Measurement convention

The financial statements are prepared on the historical cost basis.

1.3. Going concern

The Group has net current assets of £1,827,000 and net liabilities of £2,148,000 at 31 December 2016.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Business review section of the Strategic report on page 3.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and such forecasts have indicated that sufficient funds should be available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The Directors note that short-term and long-term funding of the business is provided by the majority shareholder, and it is their understanding that they will continue to provide financial and operational support for the Group for the foreseeable future. The directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As a result, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.4. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.5. Foreign currency

Transactions in foreign currencies are translated to the Group companies' 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.6. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group 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.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Notes (continued)

1 Accounting policies (continued)

1.7. 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. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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.

1.8. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Short-term leasehold property 10 years
- Plant, machinery, fixtures & fittings 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.10 Intangible asset and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software 3 years
- customer relationships 3 - 5 years
- order book 5 years
- trade names 1 - 5 years

Notes (continued)

I Accounting policies (continued)

1.10. Intangible assets and goodwill (continued)

The basis for choosing these useful lives is based on an assessment of the individual intangible assets acquired.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be five years.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.11. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.12. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks, 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"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Notes (continued)

1 Accounting policies (continued)

1.12. Impairment excluding stocks and deferred tax assets (continued)

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.14. Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration receivable, excluding discounts, rebates, value added tax and other sales taxes.

Clinical research organisation

This segment consists of the supply of products for clinical trials. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the customer. Where a customer pays in advance, this is recognised on the balance sheet as deferred income until the goods are delivered.

This segment also consists of the provision of consultancy advice to pharmaceutical companies running clinical drugs trials. Revenue from the provision of this service is recognised when the amount of revenue and costs can be measured reliably and it is probable that the Group will receive the consideration due under the contract. The stage of completion is calculated using an input (cost) basis.

Health outcomes

This segment consists of the delivery of public health and lifestyle contracts, for example 'stop smoking' contracts. Revenue from the provision of this service is recognised when the amount of revenue and costs can be measured reliably and it is probable that the Group will receive the consideration due under the contract. The stage of completion is calculated using an output (time) basis. On certain contracts the amount of revenue receivable is dependent on outcomes determined in the contract, and performance against these outcomes are monitored on an on-going basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14. Turnover *(continued)*

Communications

This segment consists of the provision of software to pharmaceutical companies, including subsequent support, consumables and hosting. Revenue from the provision of the software is recognised when the risks and rewards of ownership of the software have transferred to the customer. Subsequent service revenues for support, consumables and hosting are recognised over the time period of the agreement.

1.15. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.16. 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Accounting estimates and judgements

Key sources of estimation uncertainty

Business combinations and goodwill

On acquisition of EMAS Pharma Limited, North 51 Limited and McCallan Health LLC, the directors were required to identify and value the intangible assets acquired as part of the transactions. This has been performed based on expected future discounted cash flows with the assistance of an external specialist. The intangible assets identified are discussed further in note 9.

In addition, the annual amortisation charge for goodwill and intangible assets is sensitive to changes in the estimated useful economic life of each cash generating unit (CGU) where each CGU is considered to be an individual division. The useful economic life of goodwill is re-assessed annually, taking into account current and future market conditions of each CGU.

Revenue

Included in the public health and lifestyle segment are certain contracts where consideration receivable is dependent on performance outcomes against key performance indicators set out in the contract. The directors monitor the performance of the contract against these indicators on an on-going basis, and at each reporting period assess the amount of consideration that is expected to be receivable.

Share-based payments

The Directors are required to determine the fair value of equity-settled share based payments, and recognise this as an employee expense over the period in which the employees become unconditionally entitled to the awards. Therefore, the Directors are required to estimate the fair value of the share based payments using an option valuation model and need to estimate inputs such as volatility. Where necessary, the directors use an external specialist. In addition to this, the terms of the share-based payments are such that the directors are required to estimate the number of options expected to vest, and the time period over which these options are expected to vest. The directors re-assess this estimate at each reporting period

Critical accounting judgements in applying the Group's accounting policies

Other loans

The loan notes held by the Group and Company (repayable to related parties) bear interest, and are repayable on the sale or listing of the Group, or they can be voluntarily repaid at any time following six months of issue. Given there are no fixed repayment terms, the directors have assessed the terms of the instruments and determined that given there is an unavoidable obligation to deliver cash in the form of interest, and the listing of the Group is in the control of the directors (to determine repayment of the principal), these loan notes meet the condition to be classified as financial liabilities rather than equity.

Notes (continued)

3 Operating segments

Operating segments have been identified and reported upon consistent with the level at which results are regularly reviewed by the Group's Chief Operating Decision Maker ('CODM'). The CODM for the Group is the Bionical Limited Board of Directors. The performance of the segments are assessed on a non-IFRS measure being EBITDA (earnings before interest, tax, depreciation and amortisation). The Group is organised into business units based on product and service line.

2016	Clinical research organisation £000	Health outcomes £000	Communi- cations £000	Group costs £000	Eliminations £000	Total £000
Revenue	17,668	4,765	8,113	-	(517)	30,029
Cost of sales	(13,302)	(3,775)	(4,890)	-	517	(21,450)
Gross profit	4,366	990	3,223	-	-	8,579
Administrative expenses	(3,169)	(2,672)	(4,520)	-	25	(10,336)
Operating profit/ (loss)	1,197	(1,682)	(1,297)	-	25	(1,757)
Depreciation and amortisation	523	1,025	1,267	-	-	2,815
EBITDA	1,720	(657)	(30)	-	25	1,058
Interest receivable	-	-	1	-	-	1
Interest payable	-	(5)	(70)	(1,069)	-	(1,144)
Profit/(loss) before taxation	1,197	(1,687)	(1,366)	(1,069)	25	(2,900)
Tax on profit/(loss)	(174)	177	45	-	-	48
Profit/(loss) for the year	1,023	(1,510)	(1,321)	(1,069)	25	(2,852)

Notes (continued)

3 Operating segments (continued)

2015 - as restated	Clinical research organisation £000	Health outcomes £000	Commun- ications £000	Group costs £000	Eliminations £000	Total £000
Revenue	16,021	571	2,401	-	(137)	18,856
Cost of sales	(11,122)	(349)	(1,242)	-	137	(12,576)
Gross profit	4,899	222	1,159	-	-	6,280
Administrative expenses	(2,763)	(601)	(1,812)	-	-	(5,176)
Operating profit	2,136	(379)	(653)	-	-	1,104
Depreciation and amortisation	117	286	537	-	-	940
EBITDA	2,253	(93)	(116)	-	-	2,044
Interest receivable	-	-	-	1	-	1
Interest payable	-	-	-	(369)	-	(369)
Profit before taxation	2,136	(379)	(653)	(368)	-	736
Tax on profit	(425)	88	61	-	-	(276)
Profit for the year	1,711	(291)	(592)	(368)	-	460

Major customers

One customer (2015: none) represented in excess of 10% of the Group's total revenue during the year. Clinical research organisation revenue includes £4,127,000 from a single customer.

Geographic information

	2016 £000	As restated 2015 £000
<i>Analysis of turnover by country of destination:</i>		
United Kingdom	15,684	3,661
United States of America	14,345	15,195
	<u>30,029</u>	<u>18,856</u>

The total non-current assets located in the UK is £12,028,000 (2015: £3,019,000) and the total non-current assets located in United States of America is £3,885,000 (2015: £4,005,000).

Notes (continued)

4 Expenses and auditor's remuneration

	2016 £000	2015 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets (note 11)	195	163
Amortisation of intangible assets (note 10)	2,620	777
Related party transactions (note 24)	300	298
	3,115	1,238
Non-recurring, related party transactions, depreciation and amortisation	3,115	1,238
Foreign exchange differences	(61)	58
	2,500	1,180
<i>Auditor's remuneration:</i>		
Audit of these financial statements	25	22
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	15	12
Taxation compliance services	10	-
Other tax advisory services	50	-
All other services	49	-
	124	12

For the year ended 31 December 2016 the fees were payable to KPMG LLP and for the year ended 31 December 2015 the fees were payable to Smith Cooper Limited.

5 Staff numbers and costs

	2016 £000	2015 £000
<i>Staff costs, including directors' remuneration, were as follows:</i>		
Wages and salaries	8,695	2,645
Social security costs	857	242
Cost of defined contribution scheme (note 21)	285	138
	9,837	3,025
	9,837	3,025

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

	2016 Number	2015 Number
Operations	236	154
Directors	3	2
	239	156
	239	156

Notes *(continued)*

6 Directors' remuneration

	2016	<i>As restated</i>
	£000	2015 £000
Directors' emoluments	550	640
Company contributions to defined contribution pension schemes	40	40
	590	680
	590	680

During the year retirement benefits were accruing to one director (*2015: one*) in respect of defined contribution pension schemes.

The aggregate of remuneration of the highest paid director was £250,000 (*2015: £342,000*) and company contributions of £40,000 (*2015: £40,000*) were made to a defined contribution pension scheme on his behalf.

7 Interest payable and similar expenses

	2016	<i>As restated</i>
	£000	2015 £000
Other loan interest payable to related parties (note 24)	901	315
Interest payable on deferred consideration	169	54
	1,070	369
Interest payable on financial liabilities at amortised cost	74	-
	1,144	369
	1,144	369

Notes (continued)

8 Taxation

Total tax (credit)/expense recognised in the profit and loss account

	2016 £000	As restated 2015 £000
<i>Corporation tax:</i>		
Current tax on (loss)/profit for the year	124	339
Adjustment in respect of prior periods	45	-
	<hr/>	<hr/>
Total current tax	169	339
	<hr/>	<hr/>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 19)	(217)	(63)
	<hr/>	<hr/>
Total deferred tax	(217)	(63)
	<hr/>	<hr/>
Total tax	(48)	276
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of effective tax rate

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	As restated 2015 £000
(Loss)/profit for the year	(2,852)	460
Total tax (credit)/expense	(48)	276
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(2,900)	736
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	(580)	149
Non-deductible expenses	454	176
Effect of tax rates in foreign jurisdictions	(35)	-
Current year losses for which no deferred tax asset was recognised	102	-
Utilisation of tax losses	-	(49)
Under provided in prior years	45	-
Deductions for share options	(34)	-
	<hr/>	<hr/>
	(48)	276
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 December 2016 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

Notes (continued)

9 Acquisitions of businesses

EMAS Pharma Limited

On 3 November 2016, the Group acquired all of the shares of EMAS Pharma Limited. The company provides clinical research organisation services to pharmaceutical companies.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets (note 11)	169	-	169
Intangible assets (note 10)	-	2,951	2,951
Stocks	7	-	7
Trade and other debtors	1,605	-	1,605
Cash	1,797	-	1,797
Trade and other creditors	(1,712)	-	(1,712)
Deferred tax liabilities (note 19)	(17)	(502)	(519)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	1,849	2,449	4,298
	<hr/>	<hr/>	<hr/>
Total cost of business combination:			
Initial cash consideration relating to business combination			7,639
Contingent consideration expected to be paid			2,727
Deferred consideration at fair value			1,653
Costs directly attributable to the business combination			224
			<hr/>
Total consideration			12,243
			<hr/>
Goodwill (note 10)			7,945
			<hr/>

Fair value adjustments were made to intangible assets to reflect the value of previously unrecognised trade names, order book and customer relationships. The recognition of intangible assets resulted in a deferred tax liability being recognised at a rate of 17%.

The expected useful life of goodwill stemming from this acquisition is five years.

Contingent consideration

The Group has agreed to pay the vendors additional consideration based on an EBITDA target for the acquired company for 2017.

Notes *(continued)*

9 Acquisitions of businesses *(continued)*

North 51 Limited – as restated

On 29 September 2015, the Group acquired all of the shares of North 51 Limited. The company provides digital and public health and lifestyle services.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	80	-	80
Intangible assets	-	1,537	1,537
Stocks	34	-	34
Trade and other debtors	1,865	-	1,865
Cash	1,129	-	1,129
Trade and other creditors	(1,476)	-	(1,476)
Deferred tax liabilities	-	(307)	(307)
	1,632	1,230	2,862
Total cost of business combination:			
Initial cash consideration relating to business combination			3,861
Contingent consideration expected to be paid			400
Costs directly attributable to the business combination			72
			4,333
Total consideration			4,333
Goodwill			1,471

Fair value adjustments were made to intangible assets to reflect the value of previously unrecognised customer relationships. The recognition of intangible assets resulted in a deferred tax liability being recognised at a rate of 18%.

The expected useful life of goodwill stemming from this acquisition is five years.

Contingent consideration

The Group has agreed to pay the vendors additional consideration up to £800,000 based on EBITDA targets for 2016 and 2017. During the current year, the expected contingent consideration payable has been re-assessed to £nil, leading to a reduction of £400,000 in Group goodwill (see note 10) and Company cost of investment (see note 12).

Notes *(continued)*

9 Acquisitions of businesses *(continued)*

McCallan Health LLC – as restated

On 15 July 2015, the Group acquired all of the shares of McCallan Health LLC. The company provides software services to the pharmaceutical industry.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	46	-	46
Intangible assets	-	582	582
Stocks	15	-	15
Trade and other debtors	240	-	240
Cash	409	-	409
Trade and other creditors	(765)	-	(765)
Deferred tax liabilities	-	(204)	(204)
	(55)	378	323
Total cost of business combination:			
Initial cash consideration relating to business combination			2,760
Deferred consideration at fair value			981
Costs directly attributable to the business combination			106
			3,847
Total consideration			3,847
Goodwill			3,524

Fair value adjustments were made to intangible assets to reflect the value of previously unrecognised trade names and customer relationships. The recognition of intangible assets resulted in a deferred tax liability being recognised at a rate of 35%.

The expected useful life of goodwill stemming from this acquisition is five years.

Notes (continued)

10 Intangible assets

Group	Customer relation- ships £000	Trade name £000	Order book £000	Software £000	Goodwill £000	Total £000
<i>Cost:</i>						
At 1 January 2016 – as restated	1,970	149	-	49	5,181	7,349
Acquisition through business combination	1,937	245	769	-	7,945	10,896
Additions	-	-	-	99	-	99
Disposals (note 9)	-	-	-	-	(400)	(400)
Effects of movement on foreign exchange	89	31	-	-	760	880
At 31 December 2016	3,996	425	769	148	13,486	18,824
<i>Amortisation:</i>						
At 1 January 2016 – as restated	301	13	-	18	458	790
Charge for the year	1,185	75	26	20	1,314	2,620
Effects of movement on foreign exchange	18	5	-	-	151	174
At 31 December 2016	1,504	93	26	38	1,923	3,584
<i>Net book value:</i>						
At 31 December 2016	2,492	332	743	110	11,563	15,240
At 31 December 2015 – as restated	1,669	136	-	31	4,723	6,559

The amortisation charge has been recognised in administrative expenses in the current and prior year

Company	Software £000
<i>Cost:</i>	
At 1 January 2016	49
Additions	54
At 31 December 2016	103
<i>Amortisation:</i>	
At 1 January 2016	18
Charge for the year	20
At 31 December 2016	38
<i>Net book value:</i>	
At 31 December 2016	65
At 31 December 2015	31

Notes (continued)

11 Tangible fixed assets

Group	Short-term leasehold property £000	Plant, machinery, fixtures and fittings £000	Total £000
<i>Cost or valuation:</i>			
At 1 January 2016 – as restated	324	454	778
Acquisition through business combination	-	169	169
Additions	122	147	269
Disposals	-	(64)	(64)
Effects of movement on foreign exchange	11	27	38
	<hr/>	<hr/>	<hr/>
At 31 December 2016	457	733	1,190
	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>			
At 1 January 2016 – as restated	181	132	313
Charge for the year	57	138	195
Effects of movement on foreign exchange	-	9	9
	<hr/>	<hr/>	<hr/>
At 31 December 2016	238	279	517
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 31 December 2016	219	454	673
	<hr/>	<hr/>	<hr/>
At 31 December 2015 – as restated	143	322	465
	<hr/>	<hr/>	<hr/>

Tangible fixed assets with a carrying value of £9,000 (2015: £28,000) are pledged as security for amounts due under finance leases (note 18).

Company	Short-term leasehold property £000	Plant, machinery, fixtures and fittings £000	Total £000
<i>Cost or valuation:</i>			
At 1 January 2016	324	217	541
Additions	13	31	44
Disposals	-	(54)	(54)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	337	194	531
	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>			
At 1 January 2016	181	78	259
Charge for the year	55	33	88
	<hr/>	<hr/>	<hr/>
At 31 December 2016	236	111	347
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 31 December 2016	101	83	184
	<hr/>	<hr/>	<hr/>
At 31 December 2015	143	139	282
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investments

Company	Shares in group undertakings £000
<i>Cost or valuation:</i>	
At 1 January 2016	5,027
Additions (note 9)	12,243
Disposals (note 9)	(400)
	16,870
<i>Net book value:</i>	
At 31 December 2016	16,870
At 31 December 2015	5,027

Subsidiary undertakings

The following are subsidiary undertakings of the Company:

Name	Country of incorporation	Registered address	Class of shares	Holding		Principal activity
				2016	2015	
Bionical Insights Limited	UK	(a)	Ordinary	100%	-	Dormant
Bionical Health Limited	UK	(a)	Ordinary	100%	-	Dormant
Ellis Pharma Limited	UK	(a)	Ordinary	100%	-	Dormant
Bionical Inc	United States	(b)	Ordinary	100%	100%	Holding company
Bionical LLC *	United States	(b)	Ordinary	100%	100%	Healthcare related services
North 51 Limited	UK	(a)	Ordinary	100%	100%	Healthcare related services
The Insight Lab Limited *	UK	(a)	Ordinary	100%	100%	Dormant
EMAS Pharma Limited	UK	(c)	Ordinary	100%	-	Healthcare related services
EMAS Pharma Limited *	Republic of Ireland	Lee View House, South Terrace, Cork, Ireland	Ordinary	100%	-	Dormant
EMAS Pharma Limited *	Canada	103-1425 Esquimalt Avenue, West Vancouver, BC	Ordinary	100%	-	Dormant
EMAS Pharma Pty Ltd *	Australia	PO Box 411, Joondalup, Western Australia 6919	Ordinary	100%	-	Healthcare related services
EMAS Medical SAC *	Peru	Peru	Ordinary	100%	-	Dormant
EMAS Pharma Ltda *	Brazil	Brazil	Ordinary	100%	-	Dormant
EMAS Pharma SA *	Argentina	Argentina	Ordinary	100%	-	Dormant
EMAS Pharma Inc *	USA	10 East 40 th Street, New York, NY 10016	Ordinary	100%	-	Healthcare related services

* - indirect subsidiary

(a) The Boardwalk, Mercia Marina, Findern Lane, Willington, Derbyshire, DE65 6DW

(b) 390 Amwell Road Suite 507, Hillsborough Township, New Jersey, NJ 08844, United States of America

(c) 63-65 Knowl Piece, Wilbury Way, Hitchin, Hertfordshire, SG4 0TY

Notes (continued)

13 Stocks

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Finished goods	427	433	301	400

Stock recognised in cost of sales during the year as an expense was £12,446,000 (2015: £11,482,000).

No write-down to net realisable value was recognised in cost of sales against stock during the current or prior year.

14 Debtors

	Group		Company	
	2016	As restated 2015	2016	2015
	£000	£000	£000	£000
Trade debtors	6,043	4,125	1,984	1,761
Amounts owed by group undertakings	-	-	3,869	2,297
Other debtors	158	521	105	491
Prepayments and accrued income	865	671	308	131
	<u>7,066</u>	<u>5,317</u>	<u>6,266</u>	<u>4,680</u>

15 Cash and cash equivalents

	Group		Company	
	2016	As restated 2015	2016	2015
	£000	£000	£000	£000
Cash at bank and in hand	3,807	1,347	1,571	657

16 Creditors: amounts falling due within one year

	Group		Company	
	2016	As restated 2015	2016	As restated 2015
	£000	£000	£000	£000
Loans	2,016	1,016	2,016	1,016
Obligations under finance lease	15	17	-	-
Trade creditors	1,192	581	181	184
Amounts due to group undertakings	-	-	-	750
Corporation tax	466	639	184	358
Taxation and social security	659	462	176	57
Other creditors	1,137	1,242	639	788
Accruals and deferred income	3,988	2,605	1,863	519
	<u>9,473</u>	<u>6,562</u>	<u>5,059</u>	<u>3,672</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2016 £000	As restated 2015 £000	2016 £000	As restated 2015 £000
Loans	14,282	5,799	14,282	5,799
Obligations under finance lease	-	38	-	-
Other creditors	4,856	1,071	4,450	400
	<u>19,138</u>	<u>6,908</u>	<u>18,732</u>	<u>6,199</u>

18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Creditors falling due more than one year				
Other loans	14,282	5,799	14,282	5,799
Finance lease liabilities	-	38	-	-
	<u>14,282</u>	<u>5,837</u>	<u>14,282</u>	<u>5,799</u>
Creditors falling due within less than one year				
Other loans	2,016	1,016	2,016	1,016
Finance lease liabilities	15	17	-	-
	<u>2,031</u>	<u>1,033</u>	<u>2,016</u>	<u>1,016</u>

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	2016	2015
				£000	£000
Short term loan (note 24)	GBP	18%	2017	1,000	-
Other loan (note 24)	GBP	Higher of Base + 9.5% and 10%	On sale or listing	14,282	5,799
Finance lease liabilities	GBP	5%	2017	15	55
Short term loan (note 24)	GBP	Base + 3.25%	On demand	450	450
Short term loan (note 24)	GBP	Base + 9.75%	On demand	566	566
				<u>16,313</u>	<u>6,870</u>

Notes (continued)

18 Interest bearing loans and borrowings (continued)

Company	Currency	Nominal interest rate	Year of maturity	2016 £000	2015 £000
Short term loan (note 24)	GBP	18%	2017	1,000	-
Other loan (note 24)	GBP	Higher of Base + 9.5% and 10%	On sale or listing	14,282	5,799
Short term loan (note 24)	GBP	Base + 3.25%	On demand	450	450
Short term loan (note 24)	GBP	Base + 9.75%	On demand	566	566
				<u>16,298</u>	<u>6,815</u>

The other loans are secured by a fixed and floating charge over the assets of the company.

18 Interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	15	17
Between one and five years	-	38
	<u>15</u>	<u>55</u>

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

19 Deferred tax assets and liabilities

	Group £000	Company £000
At beginning of the year – as restated	(448)	(17)
Credited to the profit and loss account (note 8)	217	4
Acquisition through business combination (note 9)	(519)	-
At the end of the year	<u>(750)</u>	<u>(13)</u>

	Group		Company	
	2016 £000	As restated 2015 £000	2016 £000	2015 £000
Accelerated capital allowances	(37)	(21)	(13)	(17)
Arising on business combination	(750)	(427)	-	-
Losses carried forward	37	-	-	-
	<u>(750)</u>	<u>(448)</u>	<u>(13)</u>	<u>(17)</u>

The amount of deferred tax anticipated to reverse in the next year for the Group is £208,000 (2015: £189,000) and for the Company is £3,000 (2015: £4,000).

Notes (continued)

20 Capital and reserves

Shares classified as equity

	2016 £000	2015 £000
<i>Allotted, called up and fully paid:</i>		
113,158 (2015: 113,158) ordinary shares of £0.00101 each	-	-
658 (2015: nil) 'A' ordinary shares of £0.022 each	-	-
	-	-

658 'A' ordinary shares were issued during the year for cash consideration of £15,000. All classes of share rank pari-passu.

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign exchange reserve

Includes translation differences arising from the translation of the financial statements of the Group's foreign operations into Sterling.

21 Employee benefits

Defined contribution plan

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £285,000 (2015: £138,000).

Share based payments

The Company has issued share options to senior management, which can only be exercised on the first of a sale, listing or takeover of the Group. The options expire in ten years. As none of these events are considered to be probable to take place in the foreseeable future, the estimate of the number of options expected to vest is nil (2015: nil) and therefore no expense has been recognised in the current or prior year.

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	21.28	7,895	21.28	-
Granted during the year	21.28	7,561	21.28	7,895
	21.28	15,456	21.28	7,895
Outstanding at the end of the year	21.28	15,456	21.28	7,895
	21.28	-	21.28	-
Exercisable at the end of the year	21.28	-	21.28	-
	21.28	-	21.28	-

Notes *(continued)*

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		Company	
	2016	As restated 2015	2016	As restated 2015
	£000	£000	£000	£000
Assets measured at amortised cost	9,850	5,472	7,424	4,715
Liabilities measured at amortised cost	(17,505)	(7,451)	(16,479)	(7,749)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23 Operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Not later than one year	490	235	54	98
Later than one year and not later than five years	437	238	181	228
Later than five years	117	210	117	210
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	1,044	683	352	536

During the year £436,000 (2015: £157,000) was recognised as an expense in the profit and loss account in respect of operating leases.

24 Related party transactions

During the year, the Group made purchases of £300,000 (2015: £298,000) from a company under common control.

At December 2016 the Group and Company owed companies under common control £16,333,000 (2015: £6,866,000). The terms of the loans are shown in note 18. Interest paid on the loans during the year was £901,000 (2015: £315,000). £14,282,000 (2015: £5,799,000) of loan is secured by a fixed and floating charge over the assets of the company.

At 31 December 2016 there was a loan of £105,000 (2015: £105,000) to G McIntosh, a director of the company. The loan is unsecured, interest free and has no fixed repayment date.

Total compensation of key management personnel in the year amounted to £1,149,000 (2016: £815,000).

25 Ultimate controlling party

The ultimate controlling party is AD Leaver by virtue of his controlling interest in the share capital of the company. No other group financial statements include the results of the Company.