Bioquell PLC
Annual Report & Accounts 2015

Contents

Financial highlights

- Group revenues were broadly flat at £26.9 million (2014: £27.3 million)
- EBITDA increased by £1.2 million to £3.4 million (2014: £2.2 million) (EBITDA means pre-exceptional earnings before interest, tax, depreciation and amortisation)
- Operating profit before exceptional items was £0.8 million (2014: loss of £0.8 million)
- Profit before tax was £0.6 million (2014: loss of £4.8 million)
- Profit on sale of TRaC was £33.6 million
- Net cash was £47.6 million (2014: £1.1 million)
- Earnings per share on continuing activities were 1.5p (2014: loss per share of 8.9p)

Operational activities

- Underlying demand from the Life Sciences and Healthcare sectors increased in the year: micro-organism contamination remains an ongoing challenge in these sectors around the world and regulatory oversight is increasing
- Significant increase in sales of QUBE – a modular aseptic work station manufactured using proprietary technology
- Launch of a new, small and easy-to-use room decontamination technology designed for the Healthcare market – the BQ-50 – with encouraging levels of initial market demand
- Good growth in consumables
- Cost reduction in the second half resulted in annualised savings of approximately £1 million

Nigel Keen, Chairman of Bioquell PLC, said:

"We made good progress in 2015 in adjusting the product offerings, cost base and strategic direction of our microbiological contamination control business – whilst at the same time realising substantial value for shareholders around the sale of TRaC."

"In the second half of 2015 we reduced our annualised cost base by a further £1 million and growing profitability from this division can be seen in the financial information."

"The strategic review process that commenced in May 2015 is ongoing and further announcements will be made in due course."

"The feedback from the Strategic Review work has included the observation that the substantial amount of cash on the Company's balance sheet is unhelpful and, mindful that the Strategic Review was announced in May 2015, the Board has decided to proceed in any event with the return of cash to Shareholders. Accordingly, the Company announced separately today its intention to launch, subject to Shareholders' approval, a £42.7 million tender offer at a price of £2.00 per Share for 50% of the Company's issued Share capital."

Chairman's statement

In 2015 the transformation of the Group continued, in part catalysed by the successful sale of TRaC Global Limited ("TRaC") which generated a profit on disposal of £33.6 million. In our microbiological control business we extended our range of equipment, service and consumable products. In parallel, we made good progress in increasing the proportion of recurring revenues generated from our business activities, including from our consumables.

Underlying demand for microbiological control technologies continues to grow in our core Life Sciences and Healthcare sectors: bacteria, viruses and fungi continue to cause difficulties for companies and organisations around the world.

Financial performance in 2015

Consolidated revenues were broadly flat at £26.9 million (2014: £27.3 million).

Life Sciences revenues increased by 1% to £19.1 million (2014: £18.9 million), in part reflecting a markedly improved performance from our Asia Pacific operations, although our US business showed year-on-year decline. Healthcare revenues were flat at £4.2 million (2014: £4.3 million), although the prior year included a one-off order to the Middle East worth some £0.5 million. Defence declined by 14% to £3.5 million (2014: £4.1 million).

Total service revenues were £10.9 million (2014: £11.3 million), with the small decline reflecting some headwinds we encountered in the US with our RBDS decontamination service business.

Overseas sales amounted to £21.2 million representing 79% of total revenues (2014: 79%).

Gross margin for the Group was unchanged at 42% (2014: 42%).

Pre-exceptional operating expenses totalled £10.6 million (2014: £12.1 million), a decrease of £1.5 million or 12%.

Exceptional charges totalled £0.2 million (2014: £3.9 million) and related to the costs of implementing headcount reductions in the fourth quarter of the year.

Discontinued activities generated a total profit of £34.5 million, comprising the gain on disposal of TRaC (£33.6 million) and the post tax profit of TRaC in the period from 1 January 2015 to its disposal on 12 May 2015 (£0.9 million).

Basic earnings per share pre-exceptional items were 1.6p (2014: loss of 8.9p).

In cash terms, expenditure on research & development declined in the year by 26% to £1.4 million (2014: £1.9 million). Moreover, capital expenditure on tangible fixed assets declined substantially to £1.0 million (2014: £2.4 million), a reduction of £1.4 million.

The Group has an extremely strong balance sheet. Net cash at the year end was £47.6 million (2014: £1.1 million). Shareholders' funds were £64.9 million (2014: £31.1 million).

The Company also announced today its intention to launch, subject to Shareholders' approval, a tender offer for 50% of the Company's issued share capital at a price of £2.00 per share. This is equivalent to returning £1 in cash per share to Shareholders and, if fully taken up, would cost the Company approximately £42.7 million (excluding costs). Further information on the tender offer and the associated documentation will be sent to Shareholders as soon as practical.

Given the extent of the return of cash to shareholders via the proposed tender offer, the Board has concluded that it would not be appropriate to pay a dividend in respect of 2015. Due consideration will be given to dividend payments in future years at the appropriate time.

Chairman’s statement continued

Activities

We made good progress in 2015 in developing the Group with, for example, increased overseas sales of QUBEs sold into applications within the Life Sciences sector, increased service revenues in the Healthcare sector and continuing increases in consumable revenues.

Geographically our business in AsiaPac improved significantly under different management. Our start-up in Germany grew strongly, reflecting, in part, the strength of the German Life Sciences sector. In addition our Irish business started to show real progress towards the end of the year after a difficult first half.

The US market should be Bioquell’s largest market. During the year we made changes in the way we take our products to market in our US business and have made further changes since the year end to improve further the performance of this business.

We see substantial opportunities for our innovative, flexible and modular QUBE product range – particularly on the back of developments associated with cell therapy.

We continue to improve our unique Pod product – which enables us to convert open-plan, multi bed units in hospitals to bespoke single occupancy rooms in a matter of hours without the need to close the unit. To date we have focussed our Pod commercial activities on the UK in order to optimise the product offering close to our Andover-based engineering and manufacturing teams. However we intend to start rolling out the Pod internationally in 2016.

Our defence business remains lumpy; while in the short term the order book is relatively low, our prospect list for 2017 and beyond is better than it has been for some time.

Employees

On behalf of the Board, I would like to thank all the employees within the Group for their hard work and commitment during 2015. The Board is aware that the year has been difficult for employees given the uncertainty associated with the Strategic Review.

Outlook

The Board believes that the Group’s product range is well positioned to benefit from strong underlying drivers of growth, including evolving regulatory requirements, in the Life Sciences and Healthcare sectors.

Underlying demand for the eradication of bioburden and the provision of an aseptic environment remains strong in the Life Sciences sector. Antibiotic resistance and hospital acquired infection remain real and increasing issues for healthcare providers around the world. There remains ongoing geopolitical stress in a number of parts of the world which is helping drive demand for our defence business.

The year has started steadily.

The Strategic Review which commenced in May 2015 is ongoing and, following the return of cash to Shareholders by way of the tender offer mechanism described above, further announcements relating to the Strategic Review will be made in due course.

Nigel Keen
Chairman
Bioquell PLC
29 April 2016

Strategic report

This report should be read in conjunction with the Chairman's statement which provides information on the financial performance of the Group in 2015.

Following the disposal of TRaC in May 2015, we have reconsidered the Group's business activities and concluded that we have only one operating segment for accounting purposes, which is the microbiological contamination control business, or Bio-decontamination. The business model incorporates the sale of equipment and consumables and the provision of speciality services to the international Life Sciences & Healthcare sectors as well as equipment sales to defence companies. Accordingly we continue to describe our business with reference to the Life Sciences, Healthcare and Defence markets.

The Group has developed a unique and world-class range of technologies for the markets it serves. The primary strategic objective for the business is to increase its revenues and profits via improved and more effective selling of its market-leading range of products & services into the Life Sciences and Healthcare sectors. The business also aims to generate revenues from its defence division and specialist services including TERM - Technology Enhanced Rotational Moulding.

Given the relatively small size of the business and the significant changes that have occurred over the last few years, the Board currently considers it appropriate to monitor progress on its strategy by reference to two key performance indicators ("KPIs"): revenues and pre-tax profit. As the business develops the Board will consider adding, as appropriate, further KPIs to monitor progress against a broader range of objectives.

Key strategic drivers

Microorganisms – bacteria, viruses and fungi – are ubiquitous and can be the cause of significant problems for companies and organisations around the world. Bioquell's strategy is to generate revenues from the provision of novel, cost-effective technology-based solutions for microbiological contamination control and eradication in the Life Sciences, Healthcare and Defence sectors.

Historically our product offerings for Life Sciences and Healthcare were based solely around the Group's specialist hydrogen peroxide vapour ("HPV") decontamination technology; however, over recent years we have added a number of complementary products and services which enable us to offer a more holistic and application-based solution to our customers. In addition, most of our customers operate in highly and increasingly regulated environments.

Development of biotech and cell therapy drugs

Over the last few years there have been major changes in the Life Sciences sector, particularly in respect of the increase in companies and organisations involved with the development of biotech or cell therapy drugs. The research and production of these therapies typically requires the use of sterile – or 'aseptic' – facilities. Bioquell has developed a range of products, services and consumables which help provide customers operating in these sectors with an aseptic environment.

Increasing antibiotic resistance and hospital acquired infection

Antibiotic resistance continues to grow with new resistance genes, such as MCR-1 or NDM-9, being identified on a regular basis. Multi-drug resistant organisms can often result in increased costs for a health system, largely due to the extended length of stay of in-patients who contract drug-resistant organisms.

Antibiotic resistance only affects bacteria. There remains little progress in developing new antibiotics capable of treating resistant Gram-negative bacteria. In-patients can also contract pathogenic fungi (such as *Aspergillus*). Viruses such as norovirus and MERS-CoV also create difficulties for the providers of healthcare. Accordingly, the costs and clinical consequences of hospital acquired infection continue to get worse each year.

Significant and increasing role of the regulators

Bioquell's Life Science and Healthcare customers operate in highly regulated markets. In many areas the regulators are becoming more concerned about the adverse consequences of microbial contamination and the applicable regulations are becoming more onerous. For many new cell biology-based therapies the regulatory environment is often still under development which further adds risks and complexity for companies operating in this field.

Key strategic drivers continued

Pressure on costs affecting our business

Most health systems around the world are facing significant financial challenges associated with an aging population and the increasing costs associated with advances in medical science. As a result most healthcare systems are experiencing increases in costs which are substantially higher than underlying inflation. Financial pressure from payers – whether governmental, insurance or self-pay – are forcing health systems to change the way that they provide and charge for healthcare. For example, the Affordable Care Act – commonly known as 'Obamacare' – is forcing US healthcare providers to reduce costs. However, reimbursement systems often differ widely around the world – and there are still hospitals in some countries which actually generate incremental revenues from patients who contract hospital acquired infection.

Evolving business model and range of products

Until recently Bioquell's business model – particularly in the Life Sciences sector – was largely predicated on equipment sales, with limited captive consumable or complementary service revenues. However, over the last five years we have been developing products and services which generate, directly or indirectly, a higher proportion of recurring revenues. For example, our recently developed HPV products have been engineered to incorporate the use of captive hydrogen peroxide consumable cartridges. Moreover, we are seeing increasing demand for our preventative maintenance service business in North America and Europe.

We have also taken a number of steps to reduce the production costs of our HPV equipment and have also repackaged certain of our technologies to enable us to provide specialist services to our client-base. This has a number of advantages including improving the size of our addressable market, reducing the sales cycle and increasing the proportion of our recurring revenues.

Historically our strategy and growth was developed around the use of HPV to eradicate microorganisms. However, over the last several years we have also reduced our dependency solely on HPV equipment sales by developing complementary products such as the QUBE (an aseptic work-station for Life Sciences customers) and the Pod (the deployment of a bespoke single occupancy room for hospitals).

Defence sector

We manufacture specialist chemical, biological, radiological and nuclear ("CBRN") filtration systems and environmental control equipment for military vehicles and fixed systems. We have taken a number of steps to try and reduce the 'lumpiness' of our defence orders, including by partnering with other companies in the sector and by extending the range of applications for our products.

Interest in our CBRN products has been helped over the last few years by increased levels of conflict in the Middle East as well as instability in Eastern Europe, particularly close to the Russian border. In addition, the reported use of chemical weapons in Syria has been a clear reminder that chemical warfare agents still represent a threat in modern-day conflicts.

Principal challenges

We are seeking to grow the Group's revenues by promoting the use of Bioquell's technology to solve microorganism-related problems for highly regulated customers in the Life Sciences and Healthcare sectors. Our prospective markets are large, international, growing but complicated – and this complexity creates its own challenges. Microorganism-related problems are becoming more challenging, largely due to increasing drug resistance. Many new, on-patent biotech drugs are highly susceptible to bioburden contamination and are governed by increasingly complex regulations.

In implementing this strategy we encounter a number of challenges, including the international nature of our markets, highly conservative customers (who may be reluctant to adopt new technology), large competitors (with better established sales footprints and customer relationships), an increasingly fragmented and heterogeneous Life Sciences sector as well as hospitals which are often reluctant to discuss the costs and clinical impact of hospital acquired infection, and often find it easier to "do nothing".

Activities by sector

Life Sciences sector

Demand for healthcare and drugs continues to grow, driven by an aging population, the increasing wealth of the middle classes in the emerging markets and advances in medical science. This underlying growth in demand in the Life Sciences sector is reflected in, among other things, the levels of investment seen in research & development, clinical trials and production facilities.

Bioquell's products and technologies for the Life Sciences sector

Increasingly our customers' requirements are focussed around satisfying the relevant regulators that they have put in place appropriately validated and documented contamination-control processes. Our customers need regulatory approval to be able to start to ship products and generate revenues. In order to help our customers achieve rapid regulatory approval, in addition to our core HPV decontamination products we have developed the QUBE as well as HPV-optimised biological indicator and chemical indicator consumables. We have also developed hydrogen peroxide consumable cartridges to optimise our HPV decontamination process.

The novel Bioquell QUBE enables customers to create rapidly an aseptic environment which is equivalent to the conditions found in a Grade A cleanroom which can also be surface sterilised using Bioquell's HPV technology. The QUBE is modular and as a result can be configured in a flexible and rapid manner to best suit each customer's specific needs.

The QUBE, which is manufactured by Bioquell in the UK using proprietary manufacturing techniques, can offer customers significant financial savings and a reduction in lead-time over the construction, validation and ongoing running costs of a new clean-room. For example, in 2015 one tissue engineering customer purchased five QUBEs due to the short lead time and lower capital and operating costs of the QUBE compared to investing in cleanrooms. Many biotech or cell therapy companies are significantly smaller and have less financial resources compared to 'Big Pharma'.

Increased fragmentation of and complexity within the Life Sciences sector

The Life Sciences sector is international as well as increasingly fragmented and heterogeneous as "Big Pharma" is being replaced by new, much smaller biotech or cell therapy companies.

The Life Sciences sector comprises a number of sub-sectors including:

- **research & development ("R&D")** – which is typically carried out in government and privately funded research institutes as well as in universities and in clinical research organisations;
- **production** – whereby therapeutic products can be manufactured by the owner of the underlying intellectual property or by an outsourced contract manufacturer (producing generics or bio-similars). Products can comprise traditional small molecules (which are often off-patent), large biologically-active molecules (often on-patent) as well as cell therapy or tissue engineering-derived therapies; and
- **other** – such as medical device companies and compounding pharmacies.

Within the Life Sciences sector some companies are well funded and expanding rapidly; whilst others are forced to adopt a more defensive commercial stance depending on their financial resources. Many new biotech or cell therapy companies are operating in an environment where the regulations may not reflect fully the underlying science, particularly if bacterial or viral vectors are involved. Similarly, smaller start-ups or university "spin-outs" tend to need to move faster in order to attract additional investment whereas 'Big Pharma' tends to move much slower and be more conservative. In addition, the different (and evolving) regulatory requirements have not been harmonised between countries.

Use of distributors in many territories

The Group uses distributors to sell its products and services around the world, particularly into the Life Sciences sector. During 2015 we made a number of changes in the way that we interact with these distributors and have seen some positive results, in terms of growth in equipment orders, from these changes.

Activities by sector continued

Healthcare sector

Bioquell's healthcare strategy is to provide technology-based solutions which help hospitals reduce their HAI rates and combat the significant issues associated with antibiotic resistance.

Background

Bioquell has invested substantial time and resources working with a number of leading international hospitals and associated academic experts to demonstrate that the use of Bioquell's HPV technology can reduce HAI rates. For example, a research paper (Passaretti C.L. et al., Clinical Infectious Diseases 2013;56(1):27–35) from a group at Johns Hopkins Hospital in Baltimore, one of America's top hospitals, showed that patients who were admitted into rooms that had been 'bioquelled' were 64% less likely to become infected with a multi-drug resistant organism.

Pod: single occupancy rooms for hospitals

Notwithstanding the numerous academic publications supporting the use of Bioquell's HPV technology to reduce HAI rates, it has become clear that a significant number of hospitals outside the United States and France encounter practical difficulties using the Group's HPV technology due to the widespread use of open-plan, multi-bed units. (Open-plan, multi-bed units are common in the UK, parts of continental Europe and also in the emerging markets, particularly within ICUs. In contrast, in the United States and France substantially all hospital beds are located in single occupancy rooms.) Open plan multi-bed units have been shown in published academic studies to have higher HAI rates than equivalent units with single patient rooms.

In order to facilitate the 'bioquelling' of bed-spaces, at the beginning of 2013 we launched the Bioquell Pod, initially as a rental-only product, focussed on the UK (NHS) market. The Pod system comprises a bespoke single occupancy room which can be easily and quickly installed in a pre-determined bed space in an open plan unit. We have worked closely and collaboratively with early adopters in the NHS to understand better how the Pod can be used optimally within UK hospitals. We have also invested in hardware and proprietary software to help the rapid design, production and deployment of Pods. As a result we now have a large library of different Pod-related design solutions and are able to respond quickly to most customer demands to convert open-plan multi-bed units into single occupancy rooms.

Increasing antibiotic resistance – including CRE and MCR-1

Emerging markets in Asia, Latin America and the Middle East are facing substantial clinical challenges associated with antibiotic resistant bacteria, particularly in ICUs and principally from highly resistant Gram-negative bacteria, especially carbapenem-resistant Enterobacteriaceae (known as CPEs or CREs).

There is also increased concern about the emergence of the MCR-1 gene which was first publicised in November 2015. In short, the MCR-1 gene confers rapid Colistin resistance to Gram-negative bacteria. There have been a number of predictions that a combination of the MCR-1 gene and other resistance genes will result in the rapid emergence of pan-drug resistant (i.e. untreatable) Gram-negative bacteria which would have substantial adverse consequences and costs on the provision of healthcare around the world.

The clinical consequences of such multi-drug resistant organisms are becoming far more severe. In the past, pan-drug resistance was perceived to be an academic and somewhat notional threat. Today patients are being admitted to acute care hospitals in a number of US and European cities contracting, or already infected with, strains of highly drug resistant bacteria with high associated mortality rates and costs.

The economics and financial consequences of antibiotic resistance

Although some of the latest antibiotics can be expensive, the principal cost associated with HAI is the extended length of stay in hospital for patients who contract such an infection. A number of academic studies have shown that patients who contract an HAI tend to stay in hospital significantly longer than those who do not – particularly in the case of ICU patients, whose extended stays are usually extremely costly.

Defence

Bioquell's defence business uses specialist filtration systems and other engineering solutions to provide customers with CBRN filtration systems as well as environmental control systems. Although there was a net reduction in our defence order book during 2015, we anticipate that we should secure a number of orders for our defence business in 2016.

Activities by sector continued

Conclusion: the Bioquell Group

The Group has a robust strategy in place to generate high margin revenues from customers in two large, growing and highly regulated sectors: Life Sciences & Healthcare.

The substantial and ‘extraordinary’ phase of significant capital investment in new products and services (e.g. QUBE, Pod, BQ-50, consumables) is essentially over. Going forwards we would expect to see product line extensions and technology updates but a markedly lower requirement for investment in product development. Moreover, the Bio-decontamination division generated cash in 2015 on a standalone basis.

Sales into the Life Sciences sector currently remain key to the profitability of the Group - and we have taken clear and robust steps to address the specific issues we had encountered with this segment of our business. Our Asian Life Sciences business has responded well, although there is still more work to do with our US business. However, generally the prospects for the Group’s products and services in the Life Sciences sector look encouraging.

In parallel, the increasing problems that hospitals are facing with hospital acquired infection and antibiotic resistance – as well as the lack of single occupancy rooms in many high acuity units in hospitals around the world – represent a substantial and attractive opportunity for our Healthcare division.

Nicholas Adams
Group Chief Executive
29 April 2016

Risks and uncertainties

The Group faces a number of risks and uncertainties associated with its activities. It has put in place formal risk-review structures and mechanisms to help assess and monitor such risks and uncertainties; and, as appropriate, has taken steps to mitigate the identified risks and/or uncertainties to the extent practicable. However, it is not possible to identify or anticipate all risks and uncertainties; nor is it possible to mitigate all such identified risks and uncertainties.

Set out below is a summary of the principal risks and uncertainties which the Board believes the Group faces, over and above those which are inherent with carrying out commercial activities. The description of these principal risks and uncertainties should be read in conjunction with, and considered taking into account of, the description of the activities of the Group set out elsewhere in this document and on the Group's websites.

The Board has undertaken a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity.

A summary of how the Group seeks to mitigate some or all of these principal risks and uncertainties is also set out in the table below. Given the nature of these risks and uncertainties – as well as the general nature of risk implicit in any commercial activities – investors should be aware that there can be no assurances that the mitigation of the risks summarised below will be effective, in whole or in part.

Risk and/or uncertainty	Mitigation
Commercial. Ultimately in order to prosper the Group needs to sell its products and services to sufficient customers at an appropriate margin. This requires good marketing and effective selling of attractive products & services into large and increasingly international markets. Some of these markets are at different stages of maturity – or have different requirements due to, among other things, different levels of wealth or funding available to the market participants or differing regulatory requirements. In addition, some of the market requirements can change rapidly. Taken together it is non-trivial – and can be expensive – to have attractive products & services designed at the right price point for the different markets into which the Group sells.	*The Group is spending more time talking with actual and prospective customers to try and anticipate market trends – and is working with customers to develop new products and services attractive to such customers. It is also constantly looking at ways in which it can exploit new lower cost digital marketing techniques to access new customers in a cost effective manner. Further, it is also examining ways to reduce the prime costs of its equipment and services to increase margins and benefit from inherent price elasticity in the market. Where possible the Group is seeking to simplify its operations and product offerings.*
Competition. Some of the Group's competitors are substantially larger than the Group and have, among other things, greater financial, selling and political lobbying resources. Accordingly there is a risk that the Group's business could be adversely affected by actions undertaken by these large competitors. Further, although Bioquell has a number of granted or pending patents internationally, which should help to protect the key components of its intellectual property from copying, there is a risk that competitors operating from territories with poorly enforced patent law/patent protection could copy, in part or in whole, Bioquell's products or services. In addition, in certain markets in which the Group operates there is the risk that 'doing nothing' or finding something 'good enough' is the preferred course of action taken by prospective customers for a number of reasons including apathy, management challenges, budget allocations, or a disinclination to acknowledge the severity of specific issues. Accordingly 'doing nothing' or 'doing a little' represents a form of competitive risk for some of the Group's products or services.	*The Group monitors the activities of existing, new and potential competitors closely and is constantly reviewing and, as appropriate, refining its strategies, business models, sales and marketing activities, execution plans and new product development depending on, among other things, competitor activities.* *The Group seeks to educate the relevant regulatory bodies or other governmental organisations responsible for the drafting or enforcement of regulations.* *The Group has a significant portfolio of pending and granted patents and other intellectual property which is available to it to invoke, as appropriate.* *The Group has developed specialist manufacturing skills which should help protect its market share and prospects.* *The Group has detailed sales and marketing initiatives which are designed to, among other things, increase awareness of the Group's products and services – and make it harder for prospective clients to decide to 'do nothing'; or opt for 'good enough' or 'do a little'.*

Risks and uncertainties continued

Regulatory. The Group operates in a number of countries and sectors which are highly regulated. There is a risk that the relevant regulations, or their interpretation, could be changed and such changes could significantly adversely affect the Group's business in that country or sector. Further, given the specialist nature of its activities there is a risk of jurisdictional dispute by the different regulators in a territory, as it may not always be clear which regulator has, or should have, jurisdiction over the Group's activities.	*The Group endeavours to work closely and establish a dialogue, either directly or through its third party distribution partners and/or clients, with the relevant regulators in the territories in which it operates. In addition the Group may, from time to time, engage consultants or legal advisers to help with its discussions with, or strategic approach to, the regulators.*
Political. The regulatory risks and uncertainties summarised above can be closely linked to prevailing policies or strategies being pursued by politicians or civil servants. These policies or strategies can be affected by effective lobbying, including lobbying by the Group's competitors or customers, which could adversely affect the Group.	*Generally the Group adopts a cautious, low profile and conservative approach with its activities, particularly with those where there may be a political dimension. When considered necessary, the Group may seek to develop relationships, either directly or indirectly, with politicians and civil servants to assist with its dialogue with governments and counter the risk posed by competitor lobbying.*
Growth from international operations. The Group is experiencing significant growth in a number of the overseas territories in which it sells its products and services. There are a number of specific risks and management challenges associated with growth in overseas territories, including the preservation of high levels of customer service and support, margins and cash collection and repatriation.	*In many overseas territories the Group uses third party distributors to sell and support its products which helps reduce its direct exposure to the territory – and hence helps reduce certain risks. The financial standing and credit limits of these distributors are, to the extent practicable, closely monitored.* *In overseas territories where the Group has a wholly owned subsidiary and/or employees, the Group uses a standardised approach to establish and monitor the trading activities, cash balances and delegated management authorities of these overseas subsidiaries.*
Technological. The Group is dependent on its technology – and products and services – continuing to be efficacious, cost effective and attractive to the marketplace. There is the risk that new technologies, products or services are developed by competitors which perform better, are easier to use or are more cost effective than those of the Group. Further, there is a risk that it takes longer, or costs more, than anticipated to complete the development of new technologies and/or new products.	*The Group provides focussed products and services within its markets and accordingly is able to monitor relevant technological developments carefully – whether by competitors or third party research organisations, including universities. The Group takes into account such technological developments when reviewing and adjusting its strategy. It also uses a structured approach to new, different but complementary technologies to de-risk the Group's exposure to specific technologies.*
Uncertain adoption rates of new products or services. The Group is constantly developing new products and services around which there is inherent risk. Moreover it is changing elements of its business model and there is uncertainty as to how successful this new business model will be. Further, the associated product development and business model migration is expensive, requires resources and contains inherent uncertainty. For example, there is uncertainty as to how quickly new products or services will be adopted by the market – and hence concomitant uncertainty with revenue, profit and cash generation. Note that this uncertainty and risk relates to both slow and rapid adoption rates. Accordingly the Group needs to balance carefully the amount it invests in new product development and its manufacturing capabilities whilst ensuring it retains appropriate profitability and cash balances (or access to other sources of finance) in order to fund high levels of growth.	*The Group undertakes 'Voice of the Customer' market research and seeks to develop new products and services closely with existing or potential customers. The close involvement of customers helps increase the Group's confidence that such new products will be well received by the market and also provides a good basis for forecast adoption rates (and revenues). However, in reality actual adoption rates can only ever be established after a product launch.* *The Group helps mitigate, in part, the financial uncertainty associated with new product launches by ensuring that it retains large cash balances and access to debt finance so that it is able to mitigate the effect of unexpected high or low adoption rates.*

Risks and uncertainties continued

Financial. The Group has a number of international subsidiaries and trades with companies located throughout the world. The international nature of many of its business activities results in elevated financial risk, including, but not limited to: foreign exchange exposure, credit risk and cash collection/retention/ management (together "Key Financial Risks").	*The Group has standardised, detailed monthly management reporting packs which all of its subsidiaries are required to complete. These submissions are reviewed centrally and the key points discussed at regular subsidiary or divisional management meetings. As appropriate, foreign exchange hedging is undertaken centrally. In addition, there are detailed delegated management authority levels which cover, among other things, Key Financial Risks.*
Legal liabilities. Given its international activities, the Group could be subject to litigation in a number of different jurisdictions. By its very nature, such litigation could be related to a broad number of issues, including alleged patent infringement, problems relating to the Group's technology, contravention of anti-bribery legislation or alleged incorrect completion of documentation associated with its service activities.	*Generally the Group adopts a cautious, low-profile and conservative approach with its activities. It has put in place a number of policies which employees are required to follow in order to reduce to the extent practicable these risks. Further the Group actively seeks to build a close relationship with its customers in order to resolve, as appropriate, any issues that may arise without the need for litigation.*
Reliance on suppliers. Due to the complexity of many of its manufactured products, the Group is dependent on a number of key suppliers. These suppliers could supply components late, supply poor quality components, refuse to supply or cease trading. Such disruptions to the Group's supply chain could cause major issues to the trading activities of the Group.	*The Group seeks to work closely and in partnership with its key suppliers. It also has a key supplier review/audit programme which helps the Group make strategic decisions about working more closely with a given supplier or, if appropriate, take the decision to identify an alternative supplier.*
Reliance on customers within a given sector. Although the Group is not significantly dependent upon one single customer, changes within a sector or sub-sector could adversely affect the trading performance of the Group. For example, the pharmaceutical industry is currently facing significant challenges as a number of drugs lose patent protection or from the trend towards the marketing of disposable, single-use drug delivery systems, and accordingly there is a risk that such changes could affect the revenues that the Group generates from companies within this sector.	*The Group monitors carefully the revenue it generates from any single customer (or customer group) and if appropriate takes proactive steps to reduce the proportion of such revenues within the subsidiary or division – or seeks to sell other product lines to such customers in order to diversify this risk.*
Retention of key employees. The Group has a number of key employees working for it. The loss of certain of these employees could be problematic for the Group.	*The Group has in place a number of measures which are designed to optimise key employee retention including, but not limited to ensuring that their work is stimulating and interesting; their remuneration is competitive; and the work place environment and culture is attractive. Additionally, employees have the opportunity, as appropriate, to participate in equity upside from employee share option schemes.*
Dependence on key employees. As with any group of its size, the Group is dependent on certain key employees. Their sudden or unexpected departure from the Group can have a disruptive effect upon the Group's activities.	*The Group actively seeks to highlight key employees and to consider ways in which the Group can reduce its dependence upon them by developing other employees' skills or, where necessary, hiring in supplementary employees with the necessary skill sets. Additionally, the Group's remuneration structure is designed so as to foster employee loyalty.*
Cybersecurity. Cybersecurity threats come from a wide variety of sources and may target a wide range of different systems for diverse purposes. This makes such risks notably difficult to mitigate. Besides business disruption risk, there is also a threat to the Group's own and third party sensitive data which may, in the ordinary course of business, be held on the Group's systems.	*The Group has had a third party carry out an assessment of the Group's principal systems and their vulnerability to attack; key findings of this review have been actioned and this review will be performed at regular intervals on an ongoing basis.* *The Group actively considers the IT security connotations associated with any new systems developments and/or business operations.*

Directors and advisers

Nigel Keen, FCA* FIET

Chairman

Joined the Board in March 2008 and was appointed Chairman in 2009. He gained a degree in Engineering from Cambridge University and also qualified as an accountant with Deloitte. He has pursued a career encompassing industry, venture capital and banking. He is Chairman of Oxford Instruments Plc and Deltex Medical Group Plc.

Nicholas Adams

Chief Executive

Joined the Board in May 1997 and was appointed Chief Executive in May 1998. Previously he was a Director of Corporate Finance at Barings, an investment bank, having spent nine years in Barings' Corporate Finance Department both in the UK and continental Europe. He read chemistry at Durham University.

Michael Roller, ACA

Group Finance Director

Joined the Board in March 2014. He has previously been Finance Director of a number of quoted companies, most recently Corin Group PLC, has significant experience within the Life Sciences sector and is a non executive director of Filtronic plc. He qualified as an accountant with KPMG.

Tony Bourne*

Non-executive Director

Joined the Board in March 2009.
He is currently a non-executive director at various companies including Barchester, one of the UK's largest residential care home businesses, Spire Healthcare, the leading UK listed (FTSE 250) private hospital and healthcare provider (Chair of the Remuneration Committee), and Chelsea and Westminster Health Charity (Chair), one of the largest NHS charities. For nearly nine years up to late 2013, he was Chief Executive of the British Medical Association. Prior to joining the BMA as Chief Executive, Tony was in investment banking for over 25 years.

Simon Constantine, ACA*

Non-executive Director

Joined the Board in November 1999. Previously he held a number of financial and operational positions at Board level within Life Sciences International PLC. He is also Chairman of Capstone Foster Care Ltd and Northern Venture Trust PLC.

Sir Ian Carruthers, OBE*

Non-executive Director

Joined the Board in August 2010. He is former Chief Executive of the NHS South of England and has extensive experience of the UK and international healthcare systems. He is a Chairman of Portsmouth Hospitals NHS Trust, Chancellor of the University of West of England and Chair of Healthcare UK.

Christopher Mills**

Non-executive Director

Joined the Board in December 2012.
He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust PLC, a director of Oryx International Growth Fund Ltd and is the Chief Investment Officer and a member of Harwood Capital LLP.

* Member of the Audit, Remuneration and Nominations Committees.

** Member of the Remuneration Committee.

Secretary

Georgina Pope, ACMA

Registered office

52 Royce Close
West Portway
Andover
Hampshire SP10 3TS

Auditors

Deloitte LLP

Chartered Accountants
Reading

Stockbrokers

N+1 Singer

Bankers

Royal Bank of Scotland PLC

Registrars

Capita IRG Plc

Corporate governance

Introduction by the Chairman

The Board is committed to upholding the highest standards on corporate governance, protecting and growing our shareholders' assets, and engaging in a fair and transparent manner with all of our stakeholders. We take responsibility for approving the Group's long-term goals and strategies, and provide overall financial and organisational control. We have also put in place appropriate internal control and risk management systems across the Group. The detailed statement below sets out how the Company has applied the main and supporting principles of good governance set out in the UK Corporate Governance Code issued in September 2012 by the Financial Reporting Council ("the Code").

Nigel Keen
Chairman

Compliance with the UK Corporate Governance Code

The Company is committed to the principles of corporate governance contained in the Code. The Board is accountable to shareholders for applying these principles.

The Directors consider that throughout the year ended 31 December 2015 the Company has been in compliance with the Code provisions set out in the Code, except for Code provision A.4.1 as the Board has not nominated a senior independent Director other than the Chairman, because the Board is small; and Code provision D.2.1 as Nigel Keen is Chairman of the Remuneration Committee and also Chairman of the Company.

The Chairman

Nigel Keen is Chairman of the Nomination and Remuneration Committees as the Board considers that for a SmallCap company the Chairman's prime roles are: to procure an excellent strategy for the business; to recruit and retain the best available management team to execute this strategy; to put in place a Board of independent directors whose experience can add value to the work of the management; and to ensure that the business maintains the highest standard of corporate governance. Taking into consideration the size of the Company, the Board believes that in order to fulfil these obligations it is appropriate and necessary for the Chairman of the Board to also be Chairman of the Nomination Committee and the Remuneration Committee.

The Board

The Board comprises two executive and five non-executive Directors who possess the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. The non-executive Directors are considered by the Board to be independent in character and judgement other than Christopher Mills who is not judged to be independent under the criteria set out in the Code as he represents shareholders controlling 29.6% of the Company's ordinary shares; the Board does not consider the fact that the other non-executive Directors hold shares in the Company impairs their independence. In the case of Simon Constantine, who has served on the Board for more than nine years, the Board is satisfied that he remains free from any relationship with the executive management of the Company which could interfere with the exercise of his independent judgement and that he continues to provide a rigorous challenge to management; he is proposed for re-election in accordance with the Code.

The non-executive Directors are required to submit themselves for re-election at regular intervals. Before re-election the Chairman will confirm to the shareholders that the individual's performance continues to be effective and the individual continues to demonstrate their commitment to the role. This composition satisfies the Code's Principles and Provisions that the Board should have a balance of executive and non-executive Directors in terms of number and relevant experience to enable it to have effective leadership and control of the Company and its subsidiaries. The Directors have access to all information and, if required, independent professional advice at the expense of the Company. The Board met twelve times during the year, Christopher Mills was absent from three meetings and Sir Ian Carruthers was absent from one meeting.

The Board has formally adopted a schedule of matters which are specifically reserved for its decision and retains full control over key strategic, financial and organisational issues within the Group. The Board has agreed a written statement which sets out the division of responsibilities between the Chairman and the Chief Executive. The Board has established Audit, Remuneration and Nominations Committees.

For the year ended 31 December 2015 the Board has completed its annual effectiveness evaluation exercise. This was an internal exercise under the control of the Chairman. Each Director has discussed the results of this review with the Chairman at the individual one-to-one interviews which the Chairman holds with the Directors. The Chief Executive is also involved in the process by giving his input on the way the Board helps him in his role. The output from these evaluations allows the Chairman to review objectively the overall balance of the Board.

Corporate governance continued

Directors’ conflicts of interest

All Directors have a duty, under the Companies Act 2006 (“the Act”) to avoid a situation in which a direct or indirect interest conflicts or possibly may conflict with the interests of the Company. The Company’s Articles of Association include provisions for dealing with Directors’ conflicts of interest in accordance with the Act.

Communication with shareholders

The Board attaches a high priority to communications with shareholders. The Group’s Annual Report and Accounts is sent to all shareholders and both the Annual Report and the Half Year report are published on the Company’s website.. The Group meets regularly with its shareholders and there is an opportunity for shareholders to question the Chairman and the Directors at the Annual General Meeting.

The Audit Committee

The Audit Committee is chaired by Simon Constantine. It consists of all the non-executive Directors with the exception of Christopher Mills and oversees the proper observation of accounting standards, the application of the Group’s accounting policies, its systems of internal financial controls and all issues relating to the preparation and approval of the Group’s annual and half-yearly Reports and Accounts. The Committee also considers the effectiveness of the audit process, objectivity and independence of the Group’s auditors by a process of assessment and keeps the scope of non-audit services provided by the auditors and the level of non-audit fees under review. In addition it is involved in the approval of the audit fees and the auditors’ terms of engagement. The Audit Committee acknowledges its responsibility to investigate any reports of impropriety or potential fraud. The report of the Audit Committee is included on pages 16 to 17.

The Remuneration Committee

The Remuneration Committee consisted of all the non-executive Directors and was chaired by Nigel Keen. The Committee, which met once during the year, is responsible for recommending to the Board the terms of service and remuneration of the Executive Directors. It also has oversight of the remuneration levels of the senior members of the management teams. The Committee is responsible for the allocation of share options throughout the Group. The Report of the Remuneration Committee is included on pages 18 to 26. The Board as a whole, determines the remuneration of the Chairman and the terms of his appointment and the remuneration of the other non-executive Directors. No Director is involved in deciding his own remuneration.

The Nominations Committee

The Nominations Committee consisted of all the non-executive Directors with the exception of Christopher Mills and is chaired by Nigel Keen. The Committee did not meet during 2015. This Committee is responsible for nominating candidates for appointment to the Board having regard to the overall skills balance and composition of the Board. It also recommends to the Board the composition of the Board Committees.

Risk management and internal control

A risk management policy is in place which sets out the Board’s overall approach to management and acceptance of risk. The Directors and senior managers of each Group business are required to undertake their own risk identification and assessment according to the individual circumstances of the business which they manage, and this risk assessment is then reviewed and evaluated by the Group Finance Director and submitted to the Board for consideration. This system has been in place since 1 January 2014 and up to the date of approval of the Report and Accounts. This risk management process is regularly reviewed by the Board and accords with “Internal Control: Guidance for Directors on the Combined Code” produced by the Turnbull working party.

The Directors have overall responsibility for the system of internal control throughout the Group and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, as it can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2015 and the period up to 29 April 2016. In carrying out this review the Board takes account of material developments through reports by the Chief Executive, the Group Finance Director and the Audit Committee. No significant issues were found during this review.

The Board has established an organisation structure with clear lines of accountability. Formalised processes are in place for the preparation, review and approval of business plans, budgets and investment proposals for the Group as a whole and for the individual divisions. Financial results and other key business monitors are reported to the Board regularly and variances from approved budgets identified and used to initiate action. The Board has published, internally, management rules which include financial and operating control procedures with which the management of each subsidiary or division is required to comply.

Corporate Social Responsibility

Corporate responsibility is at the heart of the way the Group conducts its business.

Diversity

The Group recognises the importance and benefit of ensuring diversity throughout the business. We strive to create a culture which recruits and promotes on the basis of ability, irrespective of gender, ethnicity or national origin. The Group has policies in place designed to counter the possibility of discrimination of all kinds.

The Company is committed to ensuring that all employees have the right to work in an environment that is free from any form of harassment or bullying.

Human rights

Bioquell supports the principles defined within the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions including the Conventions in relation to child labour, forced labour, non-discrimination, freedom of association and collective bargaining.

The specific circumstances of the Group are such that the very large majority of its employees are in developed countries, all its manufacturing is carried out in the UK and most of its key suppliers are located in the UK and Europe. The inherent risk associated with either the Group's employees or its suppliers as regards potential human rights violations is therefore considered by the Directors to be low. That said the Group is fully committed to good practice in respect of human rights and in the event that the Group develops in such a way as to encompass a greater level of geographical diversity, either by itself or through its supply chain, would seek to put in place appropriate protections to ensure best practice is adhered to.

Ratio of men to women

At 31 December 2015 there were 43 women employed across our Group making 19% of our Group-wide employee base. With fewer than 40 employees in any single geographical location outside the UK, this ratio is evaluated on a Group-wide basis only.

Under the definition of senior managers as those reporting directly to Executive Directors, 3 of 14 such reports are women.

There is presently no female representation on the Group Board. The Board is satisfied that it has the appropriate balance of skills, experience and expertise necessary, it gives due regard to diversity in the event of further changes to both its own membership and/or the membership of the senior management team.

The environment

Care for the environment is an integral part of the Group's business activities. It is the Group's policy to ensure its facilities are safe and the Group is committed to ensuring that its impact on the environment is minimised. The Group supports and trains its personnel to act responsibly in matters relating to the environment.

The Group takes account of relevant legislation and regulations and analyses its practices, processes and products to reduce their environmental impact, and works with its customers and suppliers to achieve a high standard of product stewardship.

Health and safety

The Board is committed to ensuring the health and safety of the Group's employees and applies high standards throughout the Group in the control and management of its operations. All companies across the Group comply with relevant legislation and the Group communicates its health and safety policy to all employees. The Group has put preventative measures in place that aim to continue to reduce major injuries and lost time accidents. In the UK, during the year ended 31 December 2015, there were no fatalities, no reportable (RIDDOR) injuries (2014: one) and 39 minor injuries (2014: 41).

Audit Committee

During the year the Audit Committee comprised four independent non-executive Directors:

Simon Constantine (Chairman), Tony Bourne, Sir Ian Carruthers and Nigel Keen (Chairman of the Company).

The Audit Committee's terms of reference include the following roles and responsibilities:

- monitoring and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- advising the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- monitoring and making recommendations to the Board in relation to the Company's internal financial controls and financial risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the Company has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary and on the Company website, www.bioquellplc.com. The Audit Committee meets at least three times a year and has direct access to Deloitte LLP ("Deloitte"), the Company's external auditor. The Board considers that the members of the Committee are independent and collectively have the skills and experience required to discharge their duties effectively, and that the Chairman of the Committee meets the requirements of the UK Corporate Governance Code as to recent and relevant financial experience.

The Board has considered the need to introduce an independent Group internal audit function but has decided that the current control mechanisms incorporating the Finance and Quality teams are appropriate in the context of the size and complexity of the business. The Board reviews this position at least annually.

During the year ended 31 December 2015 the Audit Committee met three times and discharged its responsibilities by:

- reviewing and approving the external auditors' terms of engagement, remuneration and independence;
- reviewing the external auditors' plan for the audit of the Company's financial statements, including identification of key risks;
- reviewing the Company's internal financial controls operated in relation to the business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft Annual Report and Accounts and interim report prior to Board approval;
- in particular reviewing the Annual Report and Accounts with reference to its knowledge of the activities of the Group during the year, concluding that they are fair, balanced and understandable; and
- reviewing the external auditors' detailed report to the Committee on the annual financial statements.

The following key areas of risk and judgement have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Company.

- the carrying value of intangible assets; and
- revenue recognition and in particular the timing of recording of revenue in respect of products dispatched around the year end, given the significant volume of trade in December.

These issues were discussed with management and the auditor, in particular at the pre-year end audit planning meeting and at the conclusion of the audit of the financial statements.

Audit Committee continued

Carrying value of capitalised development costs and patent costs: the Committee received and reviewed reports from management outlining the basis for the assumptions used in arriving at and the justification for retaining the carrying values of all other intangible assets. The Committee reviewed the costs capitalised during the year, the amounts charged to the income statement by way of amortisation and the resulting net carrying values and compared these to sales and gross margins generated and forecast to be generated from the respective assets. In addition, this area is an area of higher audit risk and accordingly Deloitte provided detailed reporting to the Committee on this matter. The Committee is satisfied that the carrying values of retained assets are appropriate.

Revenue recognition and in particular the timing of recording of revenue in respect of products dispatched around the year end, given the significant volume of trade in December: the Committee received a report from management on the principles, processes and calculations used to determine the revenue included in the financial statements for the year with particular reference to shipments of products and services provided around the year end. After detailed review, the Committee concluded that the controls around year end shipping and invoicing of products and services remained in place and that shipments around the year end had been included in the correct accounting period. Deloitte also reported on their work on cut-off and noted no errors. The Audit Committee therefore was satisfied that the sales figure for the year included in the Annual Report and Accounts fairly reflected the year's business.

The Company's management and auditor confirmed to the Audit Committee that they were not aware of any material misstatements in the financial statements. Having reviewed the reports received from management and the auditor, the Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

Auditor Independence

As part of the review of auditor independence, Deloitte has confirmed that it is independent of the Company and has complied with applicable auditing standards. Deloitte has held office as auditor for 14 years; in accordance with professional guidelines the engagement partner is rotated after at most five years and the current partner has served for five years.

In assessing the auditor's effectiveness, the committee:

- challenged the work done by the auditor to test management's assumptions and estimates in the key risk areas;
- reviewed reports received from the auditor on these and other matters;
- received and considered feedback from management; and
- held private meetings with the auditor that provide the opportunity for open dialogue and feedback between the Committee and the auditor without management being present.

In addition, the Chairman of the Committee has discussions by telephone and in person with the audit lead partner outside the formal committee process throughout the year.

Having completed its review, the Audit Committee is satisfied that Deloitte remained effective and independent in carrying out its responsibilities up to the date of signing this report and believes that it would not be appropriate to put the audit appointment out to tender at the present time although this is kept under review. Accordingly, Deloitte LLP will be proposed for re-appointment as auditor at the annual general meeting.

Remuneration Committee

Dear shareholder

As Chairman of the Remuneration Committee (the "Committee"), I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2015. This report has been compiled in line with the Large and Medium-sized Companies and Groups Regulations 2013 (the "Regulations") and describes how the Board has applied the Principles of the UK Corporate Governance Code relating to Directors' remuneration. As required by the Regulations this report will be split into two parts:

- The Directors' Remuneration Policy sets out the policy for 2016 and the key factors that were taken into account in setting the policy. The Directors' Remuneration Policy will be subject to a binding shareholder vote for a period of 12 months at the AGM to be held on 10 June.
- The Annual Report on Remuneration sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2015 financial year. The Annual Report on Remuneration is subject to an advisory shareholder vote at the AGM.

The Remuneration Committee defines the Company's policy on remuneration, benefits and terms of employment. As part of this process, it provides a formal framework for the development of remuneration policy for Executive Directors and for fixing the remuneration packages of individual Directors. The Committee also reviews and approves general increases in salaries and bonus arrangements for staff. The remuneration policy and practice for employees are taken into account when setting remuneration for Executive Directors.

In addition, the Committee has reviewed the remuneration packages of the Executive Directors to ensure these continue to attract, retain and motivate talented people, while recognising wider shareholder interest. The Committee reviews all incentive-based rewards before they are awarded and has full discretion to adjust awards downwards if deemed appropriate.

The terms of reference of the Remuneration Committee are available at www.bioquellplc.com.

The Committee made no major changes to the elements of the Executives' remuneration packages during the year as it believes they continue to achieve the objectives of attracting and retaining high calibre individuals and aligning their incentives with shareholders' interests. Changes within each element of remuneration are discussed in the Remuneration Report.

Nigel Keen
Chairman, Remuneration Committee
29 April 2016

Remuneration Policy

The Remuneration Policy will come into effect from the date of the AGM in 2016 and remain in place for a period of one year. The main aim of the Group's remuneration policy is to align the interests of Executive and Non-Executive Directors with the Group's business strategy and the long-term creation of shareholder value. The policy aims to pay the Directors competitively, whilst considering the remuneration practices of other international companies of similar size and scope, the current economic climate, the regulatory and governance framework and the need to ensure that the Directors are remunerated appropriately, whilst ensuring the Group pays no more than is necessary.

Element of remuneration	Purpose of this element	Operation	Maximum potential benefit	Performance measures
Basic salary	To provide the basis of a market competitive overall remuneration. Takes account of the role, skills and contribution of the individual.	Basic salaries are normally reviewed annually in March with any changes usually taking effect from 1st April. The review includes a comparison with other companies of similar size and complexity whilst taking into account a number of critical factors such as individual responsibility, performance and experience.	Executive Director salaries as at 1st January 2016 are set at the following levels: Nicholas Adams CEO £307,000 Michael Roller GFD £198,000 Increases in salary are made in relation to Group and individual performance at the discretion of the Remuneration Committee.	n/a
Pension	To provide post-retirement remuneration to ensure that the overall remuneration package is competitive.	Executive Directors are entitled to an employer pension contribution of 15% or in certain circumstances a payment in lieu of pension contribution. It is the Group's policy that only basic salary is pensionable.	Pension contributions or payments in lieu of pension to a maximum of 15% of base salary.	n/a
Other benefits	To provide market typical benefits to ensure that the overall remuneration package is competitive.	Executive Directors currently receive a car allowance and health insurance. The Group would consider payment of relocation expenses on an individual basis.	There are no set maximums for these benefits but they are set in line with other wider employee remuneration.	n/a

Remuneration Policy continued

Annual bonus	To support the business strategy by incentivising the delivery of annual financial targets as well as the achievement of personal and strategic objectives. To provide market competitive reward opportunities for the achievement of strong financial performance. To align the interests of Executives and shareholders.	A cash bonus award paid after the publication of the financial results for the year.	100% of salary.	75% of the award is based on financial targets (50% Group EBITDA and 25% on Group turnover) and 25% on personal and strategic objectives.
Long-term incentives	To create alignment between the interest of Executives and shareholders through the delivery of rewards in Company shares. To incentivise Executives to deliver long-term shareholder value creation and the achievement of financial targets.	An award of share options under the Group's Executive Share Option ("ESO") Scheme that vests subject to EPS growth of RPI+ 7.5% compounded over three years. There is no retesting if the performance condition is not met at the end of the three year vesting period.	Awards up to 100% of salary can be made each year. During 2015 actual awards were made at 100% of salary.	Vesting over three years subject to compound EPS growth at RPI+ 7.5% p.a.
The Bioquell SAYE scheme	The scheme is an HM Revenue and Customs "approved" scheme the purpose of which is to allow all UK employees the chance to invest in the Company.	Invitations are issued to all permanently employed UK staff, including Executive Directors to invest a maximum of £250 per month over a three year period to obtain shares the options for which are granted at a 20% discount to market value.	Maximum benefit depends on share price growth during the vesting period. Options cannot be exercised until the third anniversary of grant is reached, after which the participant has six months in which to exercise the option before it expires.	n/a

Policy on Non-executive Directors

Non-Executive Directors receive fixed fees agreed by the full Board after reference to similar roles in an appropriate comparator group of companies, and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for the Non-Executive Directors to be paid a level of fee that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience.

No increase was made during 2015.

Remuneration Policy continued

Performance measures and targets

Short and long-term performance measures have been selected as the Committee believes they provide a direct link to the Company's strategy as set out in more detail in the Strategic Report. The Committee believes that the commercial sensitivity of the targets and performance measures set against annual bonuses are such that disclosing precise details of those targets would not be in shareholders' interests. In terms of the ESO scheme awards the Committee has set a target of EPS growth at RPI +7.5% compounded over three years. If this target is not met after three years the share options lapse. The Committee believes this most clearly aligns the motivation of the Executive Directors with shareholder benefit.

Remuneration policy for employees

All employees of Bioquell can be considered for the same six components of pay as detailed for Executive Directors. The maximum opportunity available is based on the seniority and responsibility of the role and the individual.

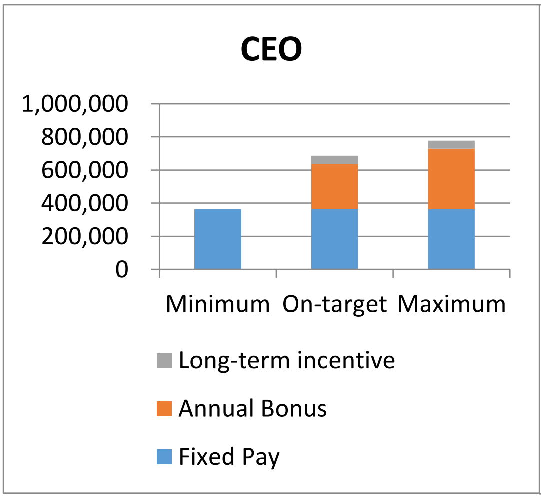
Changes to remuneration policy

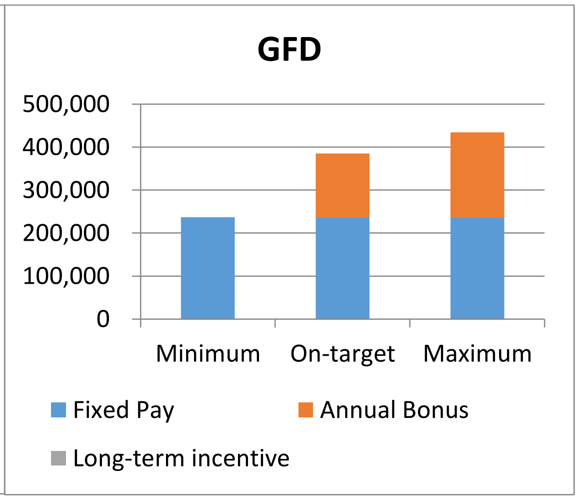
There have been no changes to the operation of, maximum potential benefit of or performance measures in relation to the six elements of remuneration defined in the table above during the past year.

Remuneration scenarios

The Committee believes that the remuneration arrangements in place for 2016 and beyond provide an appropriate balance between fixed and variable pay linked to short and long-term strategic objectives. The charts below illustrate the current value and composition of the Executive Directors' remuneration opportunity in minimum, "on-target" and maximum performance scenarios.

Minimum:	No bonus payout No vesting under the ESO scheme
On target:	75% of maximum annual bonus payment 100% of maximum vesting under the ESO scheme
Maximum:	100% of maximum annual bonus payment 100% of maximum vesting under the ESO scheme





The percentages attributable to each element of remuneration at the three scenarios are shown below:

	Minimum		On-target		Maximum	
	CEO	GFD	CEO	GFD	CEO	GFD
Fixed pay	100%	100%	53%	62%	47%	50%
Annual bonus	—	—	40%	38%	47%	50%
Long-term incentives	—	—	7%	—	6%	—

Long-term incentives are not available to the GFD in the year as they have a three year vesting period and the GFD was appointed in March 2014.

Remuneration Policy continued

Recruitment Policy

The Committee's approach to remuneration with regard to recruiting staff is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The table sets out the Committee's approach to recruitment of new Executive Directors in regard to each element of remuneration.

Remuneration element	Policy on recruitment
Basic salary	The Committee will offer salaries in a range appropriate for comparative roles while also considering the experience of the individual, the wider economic climate and pay and conditions throughout the Group, in line with its policy for existing Executive Directors.
Benefits	The Committee will offer a benefits package that will be set in line with its policy for existing Executive Directors. This includes, but is not limited to, a car allowance and private health insurance.
Pension	Maximum contributions will be set in line with the Company's policy for existing Executive Directors.
Bonus	The Committee will offer the ability to earn a bonus appropriate for comparative roles in line with its policy for existing Executive Directors. The maximum bonus paid will be 100% of the individual's base salary.
Long-term incentives	The normal maximum annual grant is up to 100% of salary per annum in line with the Company's policy for existing Executive Directors.

Exit payments

When determining any loss of office payment for a departing individual the Committee will ensure that a consistent approach is adopted so that there is no reward for poor performance and the liabilities of the Group are minimised where appropriate.

No amount is payable if an Executive Director is dismissed for serious breach of contract, serious misconduct or under-performance or acts that bring the Executive Directors, or Group, into serious disrepute.

The table below sets out the policy on exit payment in relation to each element of remuneration for Executive Directors.

Remuneration element	Approach
Basic salary, benefits and pension	In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances the Executive Directors may be entitled to receive payment in lieu of notice.
Annual bonus	Whether a bonus payment is made is entirely at the discretion of the Remuneration Committee dependent on the circumstances of the termination and, if a bonus is paid, it may be pro-rated to the time employed in the year of cessation.
Long-term incentives	Awards under the ESO scheme are governed by the rules of the scheme and therefore will usually lapse when the Executive Director gives notice of termination of his employment. However in case of death, disability or injury, retirement or redundancy, change of control events or at the discretion of the Committee and with regard to the circumstances it may be decided that the leaver is a "Good Leaver" and grants under the ESO Scheme will remain active for a set period after cessation up to but not exceeding the original expiry date.

Service contracts and notice periods

The Executive Directors have service contracts with an indefinite term with notice periods of 12 months in respect of Nicholas Adams and six months in respect of Michael Roller. In the case of Nicholas Adams a change of control in the Company extends his notice period to two years and the change of control may be treated by him as a terminating event. The Committee considers these notice periods to be reasonable and proper and in the interests of both the Company and the Directors, having regard to market conditions and current practice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

The Chairman's appointment can be terminated by the Company on six months' notice.

Non-executive Directors are appointed for an initial period of three years with subsequent reviews. They do not have a contract of employment and their appointment can be terminated without notice.

The service contracts for the Chairman, the Executive and Non-Executive Directors are held at the head office of the Group at Royce Close, Andover.

Remuneration Report

The Remuneration Report constitutes the audited part of the reports of the Remuneration Committee.

The Committee consists of four independent Non-Executive Directors: Nigel Keen (Chairman), Tony Bourne, Sir Ian Carruthers and Simon Constantine and Christopher Mills. Nigel Keen is also Chairman of the Company and, as has been described in the Corporate Governance introduction above, the Board considers that it is appropriate that he is also Chairman of the Committee. The Committee defines the Company's policy on remuneration, benefits and terms of employment. As part of this process, it provides a formal framework for the development of remuneration policy for Executive Directors and for fixing the remuneration packages of individual Directors. The Board, as a whole, is responsible for fixing the remuneration of the Non-Executive Directors, including the Chairman. The Committee has access to independent, external advisers when required but did not seek external advice during the year ended 31 December 2015. The Committee sought input from the Chief Executive on remuneration of senior staff. The Chairman maintains contact with principal shareholders regarding remuneration policy.

Single total figure of remuneration for each director

The single total figure of remuneration, executive pension costs, annual bonus, Directors' options over shares and statements of Directors' share interests have been audited by Deloitte LLP.

2015	Salary & fees £'000	Benefits* £'000	Annual bonus £'000	Long-term incentives £'000	Pension contribution £'000	Total £'000
Executive Directors						
Nicholas Adams	**307**	**11**	**100**	—	**46**	**464**
Michael Roller	**197**	**8**	**100**	—	**29**	**334**
	504	**19**	**200**	—	**75**	**798**
Non-Executive Directors						
Nigel Keen	****63**	**—**	**—**	**—**	**—**	**63**
Tony Bourne	**30**	**—**	**—**	**—**	**—**	**30**
Sir Ian Carruthers	**30**	**—**	**—**	**—**	**—**	**30**
Simon Constantine	**30**	**—**	**—**	**—**	**—**	**30**
Christopher Mills	**30**	**—**	**—**	**—**	**—**	**30**
	183	**—**	**—**	**—**	**—**	**183**
Total	**687**	**19**	**200**	**—**	**75**	**981**

* Benefits paid to Executive Directors were a car allowance and private health insurance.

** The Chairman is paid a fee of £55,000 plus a payment equivalent to national insurance contributions.

2014	Salary & fees £'000	Benefits* £'000	Annual bonus £'000	Long-term incentives £'000	Pension contribution £'000	Total £'000
Executive Directors						
Nicholas Adams	305	11	—	—	46	362
Mark Bodeker**	61	2	—	—	3	66
Michael Roller	150	7	—	—	26	183
	516	20	—	—	75	611
Non-Executive Directors						
Nigel Keen	***63	—	—	—	—	63
Tony Bourne	30	—	—	—	—	30
Sir Ian Carruthers	30	—	—	—	—	30
Simon Constantine	30	—	—	—	—	30
Christopher Mills	30	—	—	—	—	30
	183	—	—	—	—	183
Total	699	20	—	—	75	794

* Benefits paid to Executive Directors were a car allowance and private health insurance.

** Mark Bodeker resigned as a Director on 19 March 2014, Michael Roller started working for the Group on 10 February 2014 and took up the role of Group Finance Director on 19 March 2014

*** The Chairman is paid a fee of £55,000 plus a payment equivalent to national insurance contributions.

Remuneration Report continued

Chairman

Under an agreement between the Company and Imperialise Limited, Nigel Keen is retained to act as Chairman of the Company and he must account to Imperialise Limited for his services. In addition Imperialise Limited is paid a sum equivalent to the employer's National Insurance contributions on these fees and it is responsible for the cost of National Insurance on payments to Nigel Keen.

Executive Director pension arrangements

Under the terms of their service contracts the Executive Directors can ask the Company to contribute to a pension plan of their own choice. The Company contributed a maximum of 15% during the year ended 31 December 2015. Bonus payments are excluded from the contribution calculations. During the year the Company contributed £46,000 (2014: £46,000) as payment in lieu of pension contributions in respect of Nicholas Adams, £29,000 (2014: £26,000) in respect of pension contributions for Michael Roller and in 2014: £6,000 in respect of pension contributions for Mark Bodeker.

Outcome of the annual bonus award for the year ended 31 December 2015

In determining the awards for 2015, the Committee took into account the profit before tax, the Group's turnover and the individual objectives of each Executive Director. The performance targets, actual performance achievement and resulting bonus payments are summarised below:

		Nicholas Adams			Michael Roller		
Performance measures	Weighting	% of target achieved	Maximum opportunity £'000	Bonus receivable £'000	% of target achieved	Maximum opportunity £'000	Bonus receivable £'000
Profit for the period*	50%	67	153	100	100	100	100
Group turnover	25%	—	77	—	—	49	—
Personal objectives	25%	—	77	—	—	49	—
Total	**100%**	67	**307**	100	100	**198**	100

* Profit for the period includes profits from discontinued operations and disposal.

Payment for loss of office

There were no payments made for loss of office during 2015 (2014: £37,000 to Mark Bodeker).

Directors' options over shares

During the year the following grants of options were made to Directors of the Company:

	Type of scheme award	Basis of award	Face value	% of award vesting for minimum performance	Length of vesting period	Summary of performance measures
Nicholas Adams	Share option	Under Executive Share Option Scheme	307,000	100%	3 years	EPS growth of RPI +7.5% compounded over three years
Michael Roller	Share option	Under Executive Share Option Scheme	198,000	100%	3 years	EPS growth of RPI +7.5% compounded over three years

Remuneration Report continued

Share options issued under the ESO Scheme and held by Directors of the Company are as follows:

Director	1 January 2015	Granted/ (exercised)	Lapsed	**31 December 2015**	Exercise price (p)	Date from which exercisable	Expiry date
Nicholas Adams	225,000	—	(225,000)	**—**	122.5	29.03.15	29.03.19
	194,000	—	—	**194,000**	146.5	19.04.16	19.04.20
	232,000	—	—	**232,000**	128.0	24.03.17	24.03.21
	—	254,000	—	**254,000**	120.5	26.03.18	26.03.22
Michael Roller	150,000	—	—	**150,000**	128.0	24.03.17	24.03.21
	—	159,000	—	**159,000**	120.5	26.03.18	26.03.22
				989,000			

All the options held during the year were subject to performance conditions. No options vested during the year. The Executive Directors did not exercise any options during the year.

All Directors and their connected persons are required to notify the Company in writing of any transaction conducted on their own account in the shares of the Company.

Statement of Directors' share interests

	31 December 2015	% Share capital	1 January 2015
Christopher Mills*	**12,610,000**	29.6%	12,610,000
Nicholas Adams	**1,000,843**	2.4%	1,000,843
Simon Constantine	**470,000**	1.1%	470,000
Nigel Keen	**127,270**	0.3%	127,270
Michael Roller	**19,245**	-%	19,245
	14,227,357		14,227,357

* Mr Mills is Chief Investment Officer and a member of Harwood Capital LLP which owns 29.6% of the share capital.

The following table details the change in remuneration for the Chief Executive over the previous five years:

		CEO single figure of total remuneration £'000	Annual bonus awarded as a % of the maximum opportunity %	LTIP awards vesting as a % of the maximum award %
2015	Nicholas Adams	464	33%	—
2014	Nicholas Adams	362	-%	—
2013	Nicholas Adams	407	21%	—
2012	Nicholas Adams	382	16%	—
2011	Nicholas Adams	489	60%	—

Percentage change in remuneration of CEO and employees

The percentage change in remuneration between 2015 and 2014 for the CEO and for all employees in the Group was:

	Salary % change	Taxable benefits % change	Bonus % change
CEO	0.7%	-%	n/a*
All employees	(10%)	-%	175%

* the CEO did not receive a bonus in 2014 and therefore the increase is not calculable

Relative importance of spend on remuneration

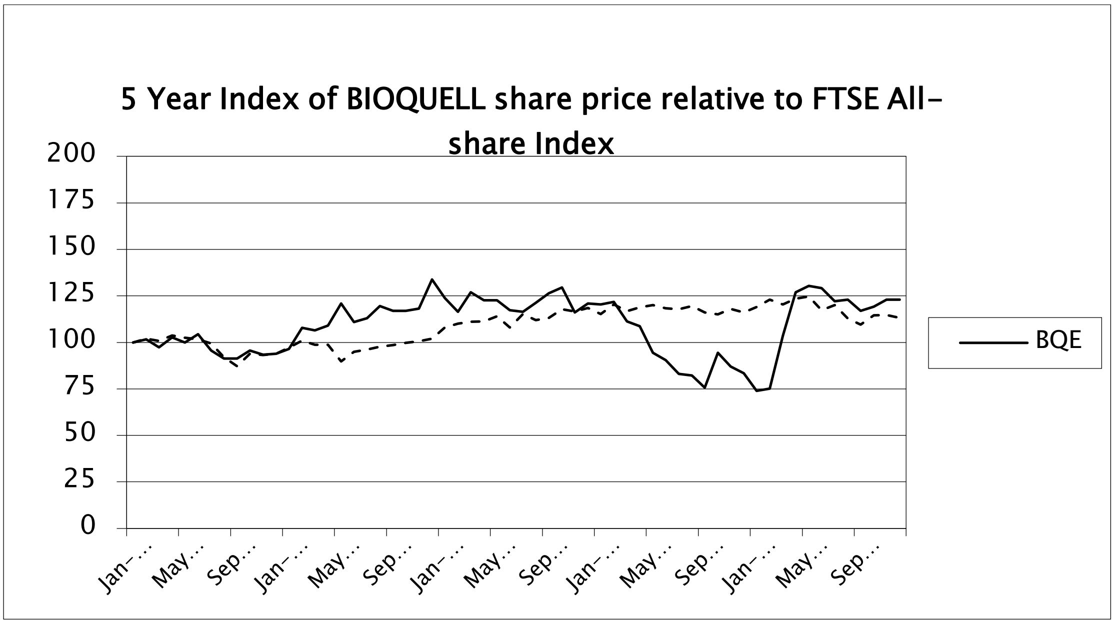
The following table shows the increase in actual expenditure on remuneration across the Group between 2014 and 2015 in comparison to movement in dividends:

	2015 £'000	2014 £'000	Change %
Dividend	**1,406**	1,404	-%
Remuneration	**10,563**	11,463	(8%)

Remuneration Report continued

Performance graph

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-share Index also measured by TSR. The graph is prepared on the basis of constituent companies in the Index at a point in time.



Statement of implementation of Remuneration Policy in the following financial year

The salaries for 2016 are set out below:

	From 1 April 2015	From 1 April 2016
Nicholas Adams	£307,000 p.a.	**£307,000 p.a.**
Michael Roller	£198,000 p.a.	**£198,000 p.a.**

Annual bonus will be based around the criteria outlined in the Remuneration Policy (on page 20). Individual strategic targets are considered to be commercially sensitive and therefore not disclosed.

Statement of consideration of employment conditions elsewhere in the company

Remuneration arrangements throughout the Group are based on the same remuneration principles, i.e. individuals are rewarded based on their contribution to the Group and to the success of the Group, and that reward should be competitive in the market without paying more than is necessary to recruit and retain individuals. Reward packages differ taking into account location, seniority and level of responsibility, but they are all built around these common reward objectives and principles.

Statement of consideration of shareholder views

The Remuneration Committee, through the Chairman, continues to have a dialogue with shareholders. The views of all shareholders are considered, in addition the Chairman meets with the major shareholders.

Statement of voting at annual general meeting

The table below shows the advisory vote on the 2014 Directors' Remuneration Report and Policy at the 2015 AGM..

	Votes for and at discretion	% of votes cast	Votes against	% of votes cast	Votes withheld	% of votes cast
2014 Remuneration Report	19,279,642	96.2%	760,868	3.8%	629	-%
2015 Remuneration Policy	13,821,364	68.9%	6,218,396	31.0%	1,379	0.1%

The votes on the Annual Report on Remuneration and the Directors' Remuneration Policy are due to take place at the 2016 AGM to be held on 10 June.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2015. The Corporate Governance Statements set out on pages 13 to 14 forms part of this report.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, and the risks and uncertainties which affect the business, are set out in the Strategic Report on pages 4 to 8. The Group has sufficient financial resources to cover budgeted future cashflows, together with contracts with its customers and suppliers across different geographic areas and industries. The Directors believe that the Group is well placed to manage its business successfully despite the current uncertain economic outlook.

In accordance with the Corporate Governance requirements and the Statement of Directors' Responsibilities on page 30, the Directors confirm that they have a reasonable expectation that the Group has adequate financial resources to continue to trade for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Viability statement

In accordance with the requirements of the UK Corporate Governance Code, the Directors have assessed the Group's prospects and long term viability, having regard to its current position and the principal identified risks facing it.

The Group is presently undergoing a strategic review process, the outcome of which is not yet certain. The Directors have assessed the Group's prospects on the basis that it remains an independent quoted company for the three year period ending on 31 December 2018.

The Group's position both at the balance sheet date and at the date of this statement is somewhat unusual in the sense that 73% of the Group's net assets of £64.9m are represented by cash of £47.6m, following the disposal of the TRaC business in May 2015.

The Directors have committed to returning the majority of the funds raised from the sale of TRaC to shareholders at some point in the future, pending the outcome of the strategic review.

The Directors have considered financial projections for the three years to 31 December 2018 under a range of assumptions, having regard to the risks the Group faces and to the Group' s capital expenditure requirements.

The Directors have concluded that there is a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due throughout the period to 31 December 2018 under all reasonable trading hypotheses.

Directors and Directors' interests

The Directors of the Company are shown on page 12. All of them served throughout the year and through to the signing of the financial statements. The interests of the Directors in ordinary shares and options to acquire ordinary shares in the Company are set out in the Directors' Remuneration Report on pages 23 to 26.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Tony Bourne and Simon Constantine retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election. Biographical information on all directors can be found on page 12.

Research and development expenditure

The Group's policy is to develop new and improve existing products and services to meet the needs of its customers. The amount charged to the income statement in the year on research and development under IFRS amounted to £1,507,000 (2014: £2,340,000) – the total expenditure was £1,353,000 (2014: £1,884,000).

Directors' Report continued

Substantial shareholdings

On 31 December 2015 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Ordinary shareholders	Number	Percentage of issued ordinary share capital
Harwood Capital LLP*	12,610,000	29.6%
Liontrust Investments Partners LLP*	4,143,119	9.7%
J A G Salkeld	2,196,477	5.1%

* The registered owners of shares in which these holders have an interest may be subsidiaries and associated companies and/or pension funds, unit trusts or investment trusts under that holder's management.

During the period between 31 December 2015 and 29 April 2016 the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

Dividends

The Board is not recommending the payment of a final dividend (2014: 3.3 pence per share, representing a total payment of £1,406,000).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 27. The Company has one class of ordinary shares. Each share carries the right to one vote at general meetings of the Company and carries no right to fixed income.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 35. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under its Articles of Association, the Company has authority to issue 2,134,823 ordinary shares.

The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council ("FRC"). Accordingly, in the year ending 31 December 2015, the Company has presented the Company only accounts under FRS 101 as issued by the FRC.

Scope of the reporting in the Annual Report and Accounts

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R in relation to long term incentive schemes can be found in the Remuneration Policy & Report (pages 18 to 26) and in Note 35 to the accounts on page 58.

Equal opportunities

The Group aims to ensure there are equal opportunities for all employees with no discrimination on accounts of race, age, gender, sexual orientation, disability and political or religious beliefs.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible, be identical to that of other employees.

Employee communication

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and other forms of communication.

Directors' Report continued

Corporate carbon reporting

The table below sets out the Corporate Carbon footprint of the Group.

	2015 Tonnes of CO_2e	2014 Tonnes of CO_2e
Scope 1 (direct emissions – boilers & vehicles)	**286**	546
Scope 2 (energy indirect – purchased electricity)	**491**	1,679
Total emissions	**777**	2,226
Intensity Ratio – tonnes of CO_2e per £m revenue	**29**	49

We have reported on the emission sources required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. Scope 1 comprises gas used in heating and for the rotomoulding oven plus fuel used in Company vehicles (calculated using the average mileage per annum). Scope 2 comprises purchased electricity for use at the Group's facilities worldwide be they owned or leased. The reporting boundary used for collation of the above data is consistent with that used for consolidation purposes in the financial statements. Data collated from all of the Group's subsidiaries has been converted using factors from the UK Government's GHG Conversion Factors for Company Reporting.

The Group uses "tonnes of CO_2e per £m revenue" as its intensity ratio as this combines the aims of growing revenue whilst maintaining overhead levels.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, and signed on behalf of the Board.

Georgina Pope
Secretary
29 April 2016

Directors' responsibilities statement

The Directors are responsible 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company 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 accounts 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Nicholas Adams	**Michael Roller**
Chief Executive Officer	***Group Finance Director***
29 April 2016	29 April 2016

Independent Auditors' Report

To the members of Bioquell PLC

Opinion on financial statements of Bioquell PLC

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 36 for the Group financial statements and 1 to 15 for the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the group contained within the Directors' report.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 9 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 9 to 11 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 27 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Independent Auditors' Report continued
To the members of Bioquell PLC

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team

Risk	How the scope of our audit responded to the risk
Impairment risk of R&D intangible assets	
Management are required to assess the carrying value of intangible assets and perform an impairment review under IAS 36 "Impairment of Assets" on an annual basis and whenever an indication of impairment exists. At 31 December 2015 the net book value of intangible assets (including patents) was £8.8m (2014: £9.0m). Assessment of the carrying value of intangible assets and possible impairment is a significant risk due to the quantum of the balance recorded on the Group balance sheet, the number and complexity of judgements involved in assessing the impairment and the fact that the Group recorded a significant impairment charge on intangible assets in the previous year of £3.7m. The Audit Committee has included their assessment of this risk on page 17 and it is included in the key accounting estimates and judgements in note 3.	Our audit work assessed the design and implementation of controls over management review of the impairment review of intangible assets. We challenged management's assumptions including specifically the forecast cash flow assumptions and the discount rates applied. We selected a sample of development and patent assets and determined whether such assets are in use and focussed our assessment on forecast future cash-flow taking into account recent sales history and orders for the products and services. We assessed the discount rate applied to the forecast cash flows.
Revenue recognition	
Bioquell has a history of achieving significant revenue in the last month of the year which increases the risk of revenue recognition error at the year-end date. In the last two weeks of 2015, sales of £0.55m (2014: £1.46m) were recorded by the Group. We have assessed this as a significant risk relating to the timing of revenue recognition of product sales with respect to the terms of delivery and location of sale. The Group's revenue recognition policy is disclosed in note 2 and revenue recognition is included in the key accounting estimates ad judgements in note 3. The Audit Committee has included their assessment of the risk on page 17.	Our audit work assessed the design and implementation of controls over the recognition of revenue. We tested, in detail, a sample of completed orders around the year end date. We assessed the transfer of risk and reward to the customer by reviewing the agreed contract terms to ascertain whether the revenue had been recorded in the correct period. We have also reviewed sales orders for significant contracts with unusual or non-standard terms and conditions.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 16 and 17.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £114k (2014: £175k), which has been set by blending revenue and EBITDA metrics. We chose these measures as both revenue and EBITDA are key performance measures for the group. This is a change in approach from 2014, where we used a materiality which is below 7.5% of profit before tax and exceptional items.

Independent Auditors’ Report continued
To the members of Bioquell PLC

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 4 (2014: 5) locations being UK, France, Ireland and the US, covering a total of 7 (2014: 7) trading entities including TRaC which was disposed of part way through the year. 6 (2014: 5) of these were subject to a full audit, whilst the remaining 1 (2014: 2) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group’s operations at those locations. These 4 locations represent the principal business units and account for 97% (2014: 99%) of the group’s net assets, 90% (2014: 98%) of the group’s revenue and 96% (2014: 94%) of the group’s profit before tax before exceptional items. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 7 entities was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £17k to £114k (2014: £15k to £175k).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once a year. Every year, regardless of whether visited or not, we include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made or the part of the Directors’ Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company’s compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent Auditors' Report continued

To the members of Bioquell PLC

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

John Clennett FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK
29 April 2016

Consolidated income statement
for the year ended 31 December 2015

Continuing operations	Notes	2015 £'000	2014 £'000
Revenue	4	**26,877**	27,266
Cost of sales		**(15,466)**	(15,870)
Gross profit		**11,411**	11,396
Gross profit margin		**42%**	42%
Operating expenses:			
Sales & marketing costs		**(5,485)**	(6,390)
Administration costs		**(3,648)**	(4,310)
R&D and engineering costs		**(1,507)**	(1,508)
Profit from operations before exceptional Items		**771**	(812)
Impairment of intangible assets		**—**	(3,866)
Costs associated with reorganisation		**(220)**	—
Operating profit/(loss)	6	**551**	(4,678)
Investment revenues	8	**150**	–
Finance costs	9	**(69)**	(131)
Profit/(loss) before tax		**632**	(4,809)
Tax	10	**5**	1,029
Profit/(loss) for the year	31	**637**	(3,780)
Discontinued operations			
Profit for the period from discontinued operations and disposal	5 & 11	**34,501**	2,763
Profit for the period			
Profit/(loss) for the period attributable to equity holders of the parent	31	**35,138**	(1,017)
Earnings/(loss) per share from continued operations excluding profit on disposal – basic	12	1.5p	(8.9)p
– diluted		1.5p	(8.9)p
Earnings/(loss) per share attributable to the owners of the parent – basic		82.5p	(2.4)p
– diluted		81.8p	(2.4)p

Movements in reserves are set out in notes 27, 28, 29, 30, 31 and 32.

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	2015 £'000	2014 £'000
Net profit/(loss) for the year	**35,138**	(1,017)
Exchange differences on translation of foreign operations*	**(120)**	(4)
Total recognised income/(loss)	**35,018**	(1,021)

* May be reclassified subsequently to profit and loss in accordance with IFRS.

Consolidated balance sheet
as at 31 December 2015

	Notes	**2015 £'000**	2014 £'000
Non-current assets:			
Goodwill	14	**—**	691
Other intangible assets	15	**8,785**	9,023
Property, plant & equipment	16	**5,349**	14,257
Deferred tax assets	22	**175**	175
		14,309	24,146
Current assets:			
Inventories	18	**3,547**	3,358
Trade and other receivables	19	**5,429**	11,790
Derivative financial instruments	21	**—**	—
Cash and cash equivalents		**47,573**	2,840
		56,549	17,988
Total assets		**70,858**	42,134
Current liabilities:			
Trade and other payables	24	**(4,282)**	(6,648)
Derivative financial instruments	21	**(68)**	(2)
Current tax liabilities		**(152)**	(581)
Obligations under finance leases	23	**—**	(104)
Borrowings	20	**—**	(224)
Provisions	25	**(84)**	(88)
Net current assets		**51,963**	10,341
Non-current liabilities:			
Deferred tax liabilities	22	**(1,354)**	(1,997)
Other non-current liabilities	26	**—**	(1,433)
Total liabilities		**(5,940)**	(11,077)
Net assets		**64,918**	31,057
Equity:			
Share capital	27	**4,266**	4,254
Share premium account	28	**919**	801
Equity reserve	29	**2,079**	1,995
Capital reserve	30	**255**	255
Translation reserve	31	**(237)**	(117)
Retained earnings	32	**57,636**	23,869
Equity attributable to equity holders of the Company		**64,918**	31,057

The financial statements of Bioquell PLC, registered number 00206372, were approved by the Board of Directors and authorised for issue on 29 April 2016.

They were signed on its behalf by:

Nicholas Adams
Director
29 April 2016

Michael Roller
Director
29 April 2016

Consolidated statement of changes in equity
for the year ended 31 December 2015

	2015 £'000	2014 £'000
Profit/(loss) for the year	**35,138**	(1,017)
Exchange differences	**(120)**	(4)
Total comprehensive income/(loss) in the year	**35,018**	(1,021)
Other movements in the year:		
Issued share capital	**12**	11
Issued share premium	**118**	89
Credit to equity reserve for share-based payments	**119**	123
Final dividend for year ended 31 December 2014/2013	**(1,406)**	(1,404)
Net increase/(decrease) in equity shareholders' funds	**33,861**	(2,202)
Equity shareholders' funds at beginning of year	**31,057**	33,259
Equity shareholders' funds at end of year	**64,918**	31,057

Consolidated cash flow statement
for the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Net cash from operating activities	33	**5,326**	3,750
Investing activities			
Proceeds on disposal of property, plant and equipment		**—**	53
Proceeds on disposal of TRaC Global Ltd net of cash transferred & cash costs of disposal		**43,423**	—
Purchases of property, plant and equipment		**(1,030)**	(2,418)
Expenditure on product development		**(733)**	(1,009)
Purchase of intangible asset		**(125)**	(6)
Net cash generated from/(used in) investing activities		**41,535**	(3,380)
Financing activities			
Proceeds on issue of ordinary shares		**130**	100
Dividends paid on ordinary shares		**(1,406)**	(1,404)
Repayment of borrowings		**(863)**	(328)
New finance lease obligations		**—**	556
Net cash used in financing activities		**(2,139)**	(1,076)
Net increase/(decrease) in cash and cash equivalents		**44,722**	(706)
Cash & cash equivalents at beginning of year		**2,840**	3,550
Effect of foreign exchange rate changes		**11**	(4)
Cash & cash equivalents at end of year		**47,573**	2,840

Notes to the consolidated financial statements
for the year ended 31 December 2015

1. General

Bioquell PLC (the "Company") is a Public Limited Company incorporated in the United Kingdom. The address of the registered office is given on page 12. The financial statements are presented in pounds sterling (£) since that is the currency in which the majority of the Group's transactions are denominated.

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

IAS 19 (amended) Defined Benefit Plans: Employee contributions

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	*Financial Instruments*
IFRS 11 (amendments)	*Accounting for Acquisitions of Interests in Joint Operations*
IAS 1 (amendments)	*Disclosure Initiative*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
IAS 16 and IAS 41 (amendments)	*Agriculture: Bearer Plants*
IAS 27 (amendments)	*Equity Method in Separate Financial Statements*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRS 10, IFRS 12 and IAS 28 (amendments)	*Investment Entities: Applying the Consolidation Exemption*
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 *Financial Instruments: Disclosures,* IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting*

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, but it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed,. Any impact is likely to relate to additional disclosures.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with the IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out on the following pages.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to 31 December each year. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on pages 4 to 8 and the Directors' Report on pages 27 to 29.

2. Significant accounting policies continued

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the delivery of the goods takes place in accordance with the contracted terms of sale;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Transactions are recorded as revenue when the delivery of goods takes place in accordance with the contracted terms of sale.

Revenue from long-term contracts is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined by reference to costs incurred as a proportion of contract costs and revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. Revenue for pre-paid maintenance contracts is recognised on a pro rata basis over the contract period.

Our distribution partners operate as principals and accept inventory risk from the point of delivery. Revenue relating to goods sold to distribution partners is recognised when the delivery of goods takes place in accordance with the contracted terms of sale to the distribution partner.

Revenue from externally funded research and development is recognised as costs are incurred on a cost plus basis determined by the terms of the contract.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Profit from operations

Profit from operations is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

2. Significant accounting policies continued

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Property	25 years
Short-term leasehold improvements	10 to 15 years
Fixtures and equipment	3 to 8 years

Freehold land is not depreciated.

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Inventories

Inventories are stated at the lower of cost, calculated as standard cost based on latest purchase cost, and net realisable value. Cost comprises direct materials and, where applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies continued

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Government grants

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff retraining costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired, any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Internally generated intangible assets – research & development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activity is recognised only if all of the following conditions are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- there is an intention to complete the intangible asset and use or sell it;
- the intangible asset can be used or sold;
- it is probable that the asset created will generate future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives which is deemed to be 15 years. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

Intangible assets – customer relationships

Customer relationship intangible assets, acquired in a business combination are initially measured at fair value, based on discounted cash flows, and amortised over their estimated useful lives of five years on a straight-line basis.

Patents and trademarks

Patents and trademarks are measured initially at cost which includes all costs directly attributable to acquiring the patent or trademark including the registration, documentation, and other legal fees associated with the application. They are amortised over their estimated useful lives, which is between 5 and 15 years, although patent protection extends to 20 years.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

2. Significant accounting policies continued

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Provision is made for any impairment and immediately expensed in the period.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under derivative financial instruments); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Leasing

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see previous page).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

2. Significant accounting policies continued

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time-frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets as "at fair value through profit and loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed but does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into.

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2. Significant accounting policies continued

Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” (“FVTPL”) or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the “other gains and losses” line item in the income statement. Fair value is determined in the manner described in note 21.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group’s policies approved by the Board of Directors which provides written principles on the use of financial derivatives. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for warranty costs are recognised at the date of sales of the relevant products, at management’s best estimate of the expenditure required to settle the Group’s liability.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005. The Group is able to issue Equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the Equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Exceptional items

Exceptional items are defined as non-recurring items that are outside the normal course of business. The Group recognises exceptional items in the Income Statement where they are material both in nature and amount.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Conditions for recognition are as set out in the Group's accounting policies in note 2.

Internally generated intangible assets

Internally generated intangible assets arising from the Group's development activity are recognised when certain conditions are met. Management applies certain assumptions in measuring development activity cost and in assessing future economic benefits. Analysis is carried out and management remains confident that the carrying amount of the asset will be recovered in full. An adjustment was made during the year ended 31 December 2014 and adjustments will be made in future periods if future market activity indicates that such impairments are appropriate.

Impairment of other intangible assets

Management applies certain assumptions in assessing the impairment of other intangible assets. The key assumptions include future growth rates and the discount rate applied.

Revenue recognition

Judgement is required to identify when it is appropriate to recognise revenue on contracts and the point at which the significant risks and rewards of ownership of goods transfer.

4. Revenue

An analysis of the Group's revenue follows. Revenue from continuing operations is generated from one segment, being Bio-decontamination.

	2015 £'000	2014 £'000
Sales of goods	**16,012**	16,004
Revenue from the rendering of services	**10,865**	11,262
	26,877	27,266

Geographical analysis

The Group's bio-decontamination equipment is manufactured within the UK and sold into the UK, Europe and Rest of World markets. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods or services:

Sales revenue by geographical market	**Year ended 31 December 2015 £'000**	Year ended 31 December 2014 £'000
UK	**5,501**	5,820
Rest of Europe	**7,375**	7,784
Rest of World	**14,001**	13,662
	26,877	27,266

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

5. Discontinued operations

On 12 March 2015 the Group entered into a sale agreement to dispose of TRaC Global Limited, which carried out all of the Group's Testing, Regulatory and Compliance work. The disposal was made to simplify the Group and allow focus on the core decontamination business and to release value for shareholders. The sale was completed on 7 May 2015, on which date control of TRaC Global Limited passed to the acquirer.

The results of the discontinued operations which have been included in the Consolidated Income Statement, were as follows:

	Period to 7 May 2015 £'000	**12 months to 31 December 2014 £'000**
Revenue	**6,175**	18,002
Expenses	**(5,040)**	(14,552)
Profit before tax	**1,135**	3,450
Attributable tax expense	**(240)**	(687)
Gain on disposal	**33,606**	—
Profit attributable to discontinued operations	**34,501**	2,763

During the period, TRaC Global Ltd contributed £0.6m (2014: £2.9m) to the Group's net operating cash flows, paid £0.3m (2014: £1.5m) in respect of investing activities and paid £2.0m (2014: received £0.3m) in respect of financing activities.

A profit of £33.6m arose on the disposal of TRaC Global Ltd, being the net proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill.

6. Profit from operations

(Loss)/profit from operations has been arrived at after charging/(crediting):

	2015 £'000	2014 £'000
Research & development costs	**2,301**	2,260
Impairment of intangible assets	**—**	3,866
Depreciation of property, plant and equipment	**1,616**	1,619
Amortisation of development costs	**797**	1,158
Amortisation of trademarks, patents and licence fees	**178**	251
Cost of inventories recognised as an expense	**8,488**	8,749
Cost of inventory written off in the year	**29**	50
Staff costs (see note 7)	**10,563**	11,463
Loss on disposal of property, plant and equipment	**105**	129
Net foreign exchange gain	**(34)**	(98)

A more detailed analysis of auditors' remuneration is provided below:

	2015 £'000	2014 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**30**	30
Fees payable to the Company's auditors for the audit of the subsidiaries pursuant to legislation	**66**	105
Total audit fees	**99**	135
Audit related assurance services	**4**	5
Total non-audit fees	**4**	5

A description of the work of the Audit Committee is set out in the Corporate Governance section on pages 13 to 14 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

7. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2015 Number	2014 Number
Production shopfloor	**32**	32
Engineering directs	**108**	110
	140	142
Sales and marketing	**52**	65
Administration	**28**	33
Other	**12**	17
	92	115
	232	257

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	**8,708**	9,653
Social security costs	**1,006**	1,152
Other pension costs	**730**	535
Share-based payments	**119**	123
	10,563	11,463

Details of Directors' remuneration, share options and pension contributions are included in the element of the Directors' Remuneration Report, marked as audited, on pages 23 to 26.

8. Investment revenues

	2015 £'000	2014 £'000
Interest received	**150**	—
	150	—

9. Finance costs

	2015 £'000	2014 £'000
Interest on bank loans and overdrafts	**69**	131
	69	131

10. Tax

	2015 £'000	2014 £'000
UK corporation tax current year	**(105)**	114
UK corporation tax prior year	**(68)**	(18)
Deferred tax credit current year	**282**	904
Deferred tax adjustment prior year	**(104)**	29
	5	1,029

Corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

10. Tax continued

The charge for the year can be reconciled to the profit per the income statement as follows:

	2015 £'000	2014 £'000
Profit/(loss) before tax	**632**	(4,809)
Tax at the UK corporation rate of 20.25% (2014: 21.5%)	**(128)**	1,034
Adjusted for:		
Tax effect of expenses not deductible in determining taxable profit	**(35)**	(194)
Effect on deferred tax asset of movement in share price	**—**	(87)
Effect of research and development relief	**301**	338
Tax effect of different tax rate of subsidiaries operating in other jurisdictions	**(31)**	35
Prior year adjustment	**(172)**	11
Utilisation of tax losses not recognised	**—**	(42)
Effective change in tax rate	**70**	(66)
	5	1,029

Nothing was charged directly to equity (2014: charge to equity of £nil).

11. Disposal of TRaC

As referred to in note 5, on 7 May 2015 the Group disposed of its interest in TRaC Global Ltd. There were no disposals in the year ended 31 December 2014. The impact of TRaC Global Ltd on the Group's results in the current and prior periods is disclosed in note 5. The net assets of TRac Global Ltd at the date of disposal and the costs of the disposal transaction are shown below:

	7 May 2015 £'000
Intangible assets	**(125)**
Property, plant & equipment	**(8,121)**
Inventories	**(131)**
Trade and other receivables	**(4,155)**
Cash and cash equivalents	**(891)**
Trade and other payables	**2,537**
Current tax liabilities	**913**
Borrowings	**834**
Attributable goodwill	**(691)**
Attributable tax expense	**240**
	(9,590)
Costs of disposal*	**(1,304)**
Gain on disposal	**33,606**
Total consideration	**44,500**
Satisfied by cash	**44,500**

* Includes bonuses paid to Directors totalling £227k gross

No tax arises on the disposal of TRaC as the transaction falls within the scope of the Substantial Shareholders Exemption (SSE).

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

12. Earnings per share
The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**Year ended 31 December 2015 £'000**	Year ended 31 December 2014 £'000
Earnings/(losses) for the purposes of basic earnings per share being net profit from continued operations excluding profit on disposal	**657**	(3,780)
Earnings/(losses) for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**35,138**	(1,017)

Number of shares	**Year ended 31 December 2015**	Year ended 31 December 2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	**42,613,220**	42,512,990
Effect of dilutive potential ordinary shares:		
– share options	**365,485**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**42,978,705**	42,512,990

13. Dividends

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 3.30p per share (2013: 3.30p)	**1,406**	1,404
No proposed dividend for the year ended 31 December 2015 (2014: 3.30p)	—	1,406

14. Goodwill

	£'000
Cost	
As at 1 January 2014 and 1 January 2015	705
Disposal of TRaC	(705)
As at 31 December 2015	—
Accumulated impairment	
As at 1 January 2014 and 1 January 2015	14
Disposal of TRaC	(14)
As at 31 December 2015	—
Carrying amount	
As at 31 December 2015	—
As at 31 December 2014	691

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2015 £'000	2014 £'000
Bio-decontamination	**—**	—
TRaC	**—**	691
	—	691

The Group tests goodwill annually for impairment, based on estimated future cash flows and discounted at a rate reflecting current market assessments of the time value of money and the risks specific to the business segments, or more frequently if there are indications that goodwill might be impaired. The Group prepares discounted cash flows using the most recent financial budgets approved by the management and assumes an estimated extrapolated growth rate of 2% (2014: 2%) per year over three (2014: three) years. The cash flows are discounted at a rate of 12.5% (2014: 12.5%).

Management believes that no reasonable potential change in any of the above assumptions would cause the carrying value of goodwill to exceed its recoverable amount.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

15. Other intangible assets

	Customer relationships £'000	Development costs £'000	Trademarks licences and patents £'000	Total intangible assets £'000
Cost				
As at 1 January 2014	619	17,506	3,570	21,695
Additions	—	881	139	1,020
Impairment recognised	—	(5,972)	(1,559)	(7,531)
Effect of foreign exchange	—	—	(5)	(5)
As at 1 January 2015	619	12,415	2,145	15,179
Additions	—	733	131	864
Disposal of TRaC	(619)	(530)	—	(1,149)
Effect of foreign exchange	—	—	(6)	(6)
As at 31 December 2015	**—**	**12,618**	**2,270**	**14,888**
Amortisation				
As at 1 January 2014	619	6,780	978	8,377
Charge for the year	—	1,238	251	1,489
Impairment recognised	—	(3,349)	(358)	(3,707)
Effect of foreign exchange	—	—	(3)	(3)
As at 1 January 2015	619	4,669	868	6,156
Charge for the year	—	797	178	975
Disposal of TRaC	(619)	(405)	—	(1,024)
Effect of foreign exchange	—	—	(4)	(4)
As at 31 December 2015	**—**	**5,061**	**1,042**	**6,103**
Carrying amount				
As at 31 December 2015	**—**	**7,557**	**1,228**	**8,785**
As at 31 December 2014	—	7,746	1,277	9,023

The amortisation period for development costs incurred on the Group's product development is 15 years. Trademarks are amortised over their estimated useful lives, which is on average five years. Patents are amortised over 15 years which is considered prudent even though patent protection extends to 20 years. Customer relationships are amortised over five years.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

16. Property, plant and equipment

	Land and buildings £'000	Short-term leasehold improvements £'000	Fixtures and equipment £'000	Total £'000
Cost				
As at 1 January 2014	6,255	2,025	25,600	33,880
Additions	—	141	2,260	2,401
Reclassification	—	(278)	(2,616)	(2,894)
Disposals	—	—	(264)	(264)
Effect of foreign exchange	—	1	16	17
As at 1 January 2015	6,255	1,889	24,996	33,140
Additions	—	8	999	1,007
Disposal of TRaC	(961)	(1,402)	(13,205)	(15,568)
Disposals	—	—	(416)	(416)
Effect of foreign exchange	—	(2)	25	23
As at 31 December 2015	**5,294**	**493**	**12,399**	**18,186**
Accumulated depreciation				
As at 1 January 2014	1,779	1,132	16,181	19,092
Charge for the year	372	222	2,163	2,757
Reclassification	—	(278)	(2,616)	(2,894)
Disposals	—	—	(82)	(82)
Effect of foreign exchange	—	1	9	10
As at 1 January 2015	2,151	1,077	15,655	18,883
Charge for the year	397	86	1,133	1,616
Disposal of TRaC	—	(846)	(6,519)	(7,365)
Disposals	—	—	(311)	(311)
Effect of foreign exchange	—	(4)	18	14
As at 31 December 2015	**2,548**	**313**	**9,976**	**12,837**
Carrying amount				
As at 31 December 2015	**2,746**	**180**	**2,423**	**5,349**
As at 31 December 2014	4,104	812	9,341	14,257

The Group had no capital expenditure contracted but not provided for at the year end (2014: £nil).

17. Subsidiaries

A list of the investments in subsidiaries, including name and country of incorporation, is given in note 5 to the Company's separate financial statements.

18. Inventories

	2015 £'000	2014 £'000
Raw materials, spare parts and consumables	**1,972**	1,979
Work in progress	**344**	256
Finished goods and goods for resale	**1,231**	1,123
	3,547	3,358

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

19. Trade and other receivables

	2015 £'000	2014 £'000
Trade debtors	**4,633**	9,681
Other debtors	**152**	504
Prepayments and accrued income	**644**	1,605
	5,429	11,790

All trade and other receivables are short-term and non-interest bearing. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2015 £'000	2014 £'000
Trade receivables	**4,656**	9,769
Allowance for doubtful debts	**(23)**	(88)
	4,633	9,681

The debtor days on sales of goods are 63 days (2014: 61 days). Included in the Group's trade receivable balance are debtors with a carrying amount of £971,000 (2014: £1,934,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 74 days (2014: 74 days).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management on a regular basis.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Ageing of past due but not impaired receivables

	2015 £'000	2014 £'000
Not yet due	**3,708**	7,835
Up to one month overdue	**567**	1,366
Greater than one month overdue	**381**	568
Total	**4,656**	9,769

Movement in the allowance for doubtful debts

	2015 £'000	2014 £'000
Balance at 1 January	**88**	61
Amounts written off during the year	**—**	—
Increase in the allowance recognised in the year	**—**	27
Disposal of TRaC	**(65)**	—
Balance at 31 December	**23**	88

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further need for a credit provision in excess of the allowances for doubtful debts.

20. Bank overdrafts and loans

	2015 £'000	2014 £'000
Bank loans	—	1,309
The borrowings are repayable as follows:		
Amount due for settlement within twelve months	—	224
Amount due for settlement after twelve months (see note 26)	—	1,085
	—	1,309

Analysis of borrowings by currency:

31 December 2015	**Total £'000**	**Sterling £'000**
Bank loans	—	—

Analysis of borrowings by currency:

31 December 2014	Total £'000	Sterling £'000
Bank loans	1,309	1,309

The weighted average interest rates paid were as follows:

	2015 %	2014 %
Bank loans	—	2

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and cash balances. The Group continually monitors forecast and actual cash flows. The Group had committed overdraft facilities available at 31 December 2015 of £1,500,000 (2014: £1,500,000), the facilities were undrawn at the end of the year. The facilities are reviewed each year.

Capital risk management is summarised in the Directors' Report.

21. Derivative financial instruments – currency derivatives

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70 to 80% of the exposure generated. The Group also enters into forward foreign contracts to manage the risk associated with anticipated sales and purchase transactions out to six months within 40 to 50% of the exposure generated. Forward exchange contracts are carried at fair value through profit and loss.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below:

	2015 £'000	2014 £'000
Forward foreign exchange contracts	**3,478**	1,023

At 31 December 2015, the fair value of the Group's currency derivatives is estimated to be a liability of approximately £68,000 (2014: liability £2,000). The fair value has been calculated as the present value of future expected cash flows at market related rates, which are current at the balance sheet date. The value is calculated using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

Other financial assets/liabilities

	2015 £'000	2014 £'000
Financial liabilities carried at fair value through profit and loss	**(68)**	(2)

21. Derivative financial instruments – currency derivatives continued

Foreign currency risk management

The Group is mainly exposed to US Dollars and Euros. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
USD	**(2,267)**	(1,641)	**6,686**	4,263
Euro	**(451)**	(991)	**6,314**	6,277
Sing$	**—**	(789)	**—**	2,052

Market risk exposure to foreign currency is measured using sensitivity analysis as described below.

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% change in pounds sterling against the respective foreign currencies. The 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the pound sterling strengthens against the respective currency.

	Sing$ impact		USD impact		Euro impact	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Profit or loss	**—**	(12)	**(144)**	(109)	**(114)**	(73)
Equity	**—**	35	**25**	70	**(110)**	(217)

The Group has considered its sensitivity to interest rate fluctuations and does not believe that a change in interest rates would have a material impact on the financial statements.

22. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Deferred development costs £'000	Tax losses £'000	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 January 2014	(2,638)	408	(533)	93	(2,670)
Prior year adjustment	—	58	(35)	(19)	4
(Credit)/charge to income	856	—	78	(90)	844
Net credit/(charge) to income statement	856	58	43	(109)	848
At 1 January 2015	(1,782)	466	(490)	(16)	(1,822)
Prior year adjustment	—	(13)	(77)	(28)	(118)
Disposal of TRaC	19	—	460	159	638
Credit/(charge) to income	123	91	27	(118)	123
Net credit to income statement	142	78	410	13	643
At 31 December 2015	**(1,640)**	**544**	**(80)**	**(3)**	**(1,179)**

	2015 £'000	2014 £'000
Deferred tax assets	**175**	175
Deferred tax liabilities	**(1,354)**	(1,997)
	(1,179)	(1,822)

At the balance sheet date, the Group had an unrecognised deferred tax asset of £49,000 (2014: £68,000). At 31 December 2015 a net deferred tax liability of £1,301,000 (2014: £1,822,000) has been recognised. The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. The closing deferred tax liability as at 31 December 2015 has been calculated at 19% reflecting the tax rate at which the deferred tax liability is expected to be reversed in future periods.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

23. Obligations under finance leases

	Minimum lease payments	
	2015 £'000	2014 £'000
Amounts payable under finance leases:		
Within one year	**—**	125
In the second to fifth years inclusive	**—**	377
After five years	**—**	—
		502
Less: future finance charges	**—**	(50)
Present value of lease obligations	**—**	452

	Present value of minimum lease payments	
	2015 £'000	2014 £'000
Amounts payable under finance leases:		
Within one year	**—**	104
In the second to fifth years inclusive	**—**	348
Present value of lease obligations		452
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	**—**	104
Amounts due for settlement after 12 months	**—**	348
	—	452

24. Trade and other payables

	2015 £'000	2014 £'000
Trade creditors	**1,774**	1,921
Other creditors	**769**	1,237
Accruals and deferred income	**1,739**	3,490
	4,282	6,648

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 52 days (2014: 54 days). The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

25. Provisions

	Warranty provision £'000
At 1 January 2015	88
Additional provision in the year	—
Utilisation of provision	(4)
At 31 December 2015	84
Included in current liabilities	84
Included in non-current liabilities	—
	84

The warranty provision represents management's best estimate of the Group's liability under twelve month warranties granted on products and services, based on past experience.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

26. Other non-current liabilities

	2015 £'000	2014 £'000
Bank loans (see note 20)	—	1,085
Finance leases	—	348
	—	1,433

The fair value of the financial liabilities is approximately equal to book value due to the short maturity of the liabilities or because they bear interest at rates similar to the market rate.

27. Share capital

	2015		2014	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 10p each	**55,947,780**	**5,595**	55,947,780	5,595
Redeemable deferred ordinary shares of £1 each	**255,222**	**255**	255,222	255
		5,850		5,850
Called up, allotted and fully paid				
Ordinary shares of 10p each	**42,664,082**	**4,266**	42,535,363	4,254
		4,266		4,254

During the year the Company issued a total of 128,719 ordinary shares of 10p each for £130,000 on the conversion of options under the Executive Share Option schemes and the Save-as-you-earn scheme.

28. Share premium account

	£'000
Balance at 1 January 2014	712
Premium arising on issue of equity shares	89
Balance at 31 December 2014	801
Premium arising on issue of equity shares	118
Balance at 31 December 2015	**919**

29. Equity reserve

	£'000
Balance at 1 January 2014	1,892
Credit to equity for share-based payments	123
Charge to equity on exercise of options	(20)
Balance at 31 December 2014	1,995
Credit to equity for share-based payments	119
Charge to equity on exercise of options	(35)
Balance at 31 December 2015	**2,079**

30. Capital reserve

	£'000
Balance at 1 January 2014 and 1 January 2015	255
Additions	—
Balance at 31 December 2014 and 31 December 2015	**255**

31. Translation reserve

	£'000
Balance at 1 January 2014	(113)
Effects of foreign exchange in the period	(4)
Balance at 31 December 2014	(117)
Effects of foreign exchange in the period	(120)
Balance at 31 December 2015	**(237)**

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

32. Retained earnings

	£'000
Balance at 1 January 2014	26,270
Net loss for the year	(1,017)
Payment of dividend	(1,404)
Exercised share options	20
Balance at 1 January 2015	23,869
Net profit for the year from continuing operations	637
Profit on disposal of TRaC and from discontinued activities	34,501
Payment of dividend	(1,406)
Exercised share options	35
Balance at 31 December 2015	**57,636**

33. Notes to the cash flow statement

	2015 £'000	2014 £'000
Profit/(loss) for the period	**35,138**	(1,017)
Adjustments for:		
Profit on disposal of discontinued operations	**(34,741)**	—
Tax charge/(credit) on discontinued operations	**240**	(342)
Finance costs	**69**	131
Investment revenues	**(150)**	—
Depreciation of property, plant and equipment	**1,645**	2,776
Amortisation and impairment losses of intangible assets	**971**	1,486
Impairment of intangible assets	**—**	3,824
Share-based payments	**119**	123
Loss on disposal of property, plant and equipment	**105**	129
Increase in provisions	**(4)**	11
Operating cash flows before movements in working capital	**3,392**	7,121
Increase in inventories	**(295)**	(828)
Decrease/(increase) in receivables	**2,324**	(1,628)
Decrease in payables	**(176)**	(784)
Cash generated by operations	**5,245**	3,881
Investment revenues	**150**	—
Interest paid	**(69)**	(131)
Net cash from operating activities	**5,326**	3,750

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

34. Operating lease arrangements

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of four years and rentals are generally fixed for the period of the lease. There are no options to purchase within the agreements.

	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised in income for the year	**453**	1,203

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**486**	1,007
In the second to fifth years inclusive	**972**	2,476
After five years	**456**	2,141
	1,914	5,624

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

35. Share-based payments

Equity-settled share option schemes

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest except in certain circumstances in accordance with the Scheme Rules.

Special options with market-based conditions, have also been granted to certain Directors (as disclosed in the Directors' Remuneration Report) and senior members of staff.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price pence**	Number of share options	Weighted average exercise price pence
Outstanding at beginning of period	**4,134,200**	**132.4p**	5,297,200	130.5p
Granted during the period	**824,500**	**120.5p**	989,500	128.0p
Lapsed during the period	**(1,458,233)**	**134.7p**	(2,092,500)	126.6p
Exercised during the period	**(91,417)**	**110.1p**	(60,000)	105.8p
Outstanding at the end of the period	**3,409,050**	**129.2p**	4,134,200	132.4p
Exercisable at the end of the period	**1,234,050**	**127.0p**	1,638,600	132.3p

The weighted average share price at the date of exercise for share options exercised during the period was 147.4p. The options outstanding at 31 December 2015 had a weighted average exercise price of 129.2p, and a weighted average remaining contractual life of 4.67 years. In 2015, 824,500 options were granted on 25 March. The aggregate of the estimated fair values of the options granted on that date was £265,489. In 2014, 989,500 options were granted on 23 March. The aggregate of the estimated fair values of the options granted on that date was £217,298.

The Black-Scholes model has been adopted as the Directors believe it provides a reasonable approximation to the fair values of the options concerned.

The inputs into the Black-Scholes model are as follows:

	2015	2014
Weighted average share price	**120.5p**	128.0p
Expected volatility	**30%**	30%
Expected life	**4.5yrs**	4.5yrs
Risk free rate	**1.11%**	2.33%
Expected dividends	**1.5%**	1.5%

Each tranche of share options was valued separately using the actual exercise price.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Outstanding at the beginning of the period were 76,600 options awarded in May 2008 which were granted at an exercise price of 174.5p to certain senior members of staff again conditional upon the market-based condition. These options lapsed during the year. The inputs into the Black-Scholes model are as set out in the table above, adjusted by a factor based on the probability of meeting the market-based condition.

The Group recognised total expenses of £119,000 and £123,000 related to Equity-settled share-based payment transactions in 2015 and 2014 respectively.

Notes to the consolidated financial statements continued
for the year ended 31 December 2015

36. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

Remuneration of key management personnel

The total remuneration for all of the Directors of Bioquell PLC, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 22 to 25.

	2015 **£'000**	2014 £'000
Short-term employee benefits	**906**	719
Post-employment benefits	**75**	75
Share-based payments	**76**	17
	1,057	811

Five year summary

		IFRS				
		2015 **£'000**	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	(from continuing operations)	**26,866**	27,266	27,866	25,927	27,657
	(from discontinued operations)	**—**	18,002	16,771	15,068	13,599
Operating profit/(loss)		**551**	(4,678)	2,903	4,198	5,022
Profit/(loss) for the year before tax		**622**	(4,809)	3,081	3,953	5,001
Equity		**64,938**	31,057	33,259	30,730	27,599
Earnings per share		**82.5p**	(2.4)p	7.3p	9.6p	9.3p
Dividend per share		**nilp**	3.30p	3.30p	3.06p	2.83p

Company financial statements
for the year ended 31 December 2015

Company balance sheet
as at 31 December 2015

Results for the Company are presented under FRS102	Notes	**2015 £'000**	2014 £'000
Fixed assets:			
Investments in subsidiaries	5	**8,902**	8,874
Property, plant and equipment	4	**753**	795
		9,655	9,669
Current assets:			
Debtors			
– due within one year	6	**1,667**	1,821
– due after one year	6	**3,480**	3,741
Cash at bank and in hand		**45,042**	1,057
		50,189	6,619
Creditors: amounts falling due within one year	7	**(776)**	(607)
Net current assets		**49,413**	6,012
Total assets less current liabilities		**59,068**	15,681
Creditors: amounts falling due after more than one year	7	**—**	(758)
Net assets		**59,068**	14,923
Capital and reserves:			
Called up share capital	8	**4,266**	4,254
Share premium account	9	**919**	801
Equity reserve	10	**2,221**	2,102
Capital reserve	11	**255**	255
Profit and loss account	12	**51,407**	7,511
Shareholders' funds		**59,068**	14,923

The financial statements of Bioquell PLC, registered number 00206372 were approved by the Board of Directors and signed on its behalf by:

Nicholas Adams
Director
29 April 2016

Michael Roller
Director
29 April 2016

Notes to the Company financial statements

for the year ended 31 December 2015

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

The principal accounting policies are summarised below. They have been applied consistently throughout the current year and the preceding year.

Going concern

Going concern has been applied on a Group basis. Refer to page 39 of the Group accounts.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the profit and loss account. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and equipment	3 to 8 years
Property	25 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on material timing differences at the rate of tax anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities are not discounted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share-based payments

Refer to the policy statement in note 2 to the Group accounts.

Notes to the Company financial statements continued
for the year ended 31 December 2015

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year.

On 12 March 2015 the Group entered into a sale agreement to dispose of TRaC Global Limited, which carried out all of the Group's Testing, Regulatory and Compliance work. The disposal was made to simplify the Group and allow focus on the core decontamination business and to release value for shareholders. The sale was completed on 7 May 2015, on which date control of TRaC Global Limited passed to the acquirer.

The results of the discontinued operations are shown in note 5 of the Group accounts.

Bioquell PLC has reported a profit after tax and the cost of share-based payments (£75,000; 2014: £17,000) but before the exceptional profit derived from the disposal of TRaC Global Ltd (£43,229,000) for the financial year ended 31 December 2015 of £137,000 (2014: loss of £73,000).

The auditors' remuneration for audit services to the Company was £30,000 (2014: £29,000).

3. Staff costs

The average monthly number of employees (including Executive Directors) of the Company was:

	2015	2014
Administration	**3**	4

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	**630**	814
Social security costs	**99**	109
Other pension costs	**92**	57
	821	980

4. Fixed assets

	Property £'000	Plant and equipment £'000	Total property, plant and equipment £'000
Cost			
As at 1 January 2015	1,054	57	1,111
Additions	—	—	—
As at 31 December 2015	**1,054**	**57**	**1,111**
Accumulated depreciation			
As at 1 January 2015	264	52	316
Charge for the year	41	1	42
As at 31 December 2015	**305**	**53**	**358**
Net book value			
As at 31 December 2015	**749**	**4**	**753**
As at 31 December 2014	790	5	795

Notes to the Company financial statements continued
for the year ended 31 December 2015

5. Fixed asset investments

The companies listed below are wholly owned subsidiaries of the Company, incorporated in Great Britain, unless otherwise stated.

	Location
Bioquell UK Ltd	Andover, UK
Bioquell Holding SAS	Paris, France
Bioquell Global Logistics (Ireland) Ltd	Limerick, Republic of Ireland
Bioquell Asia Pacific Pte Ltd	Singapore
Bioquell Technology (Shenzhen) Ltd	Shenzhen, China
Bioquell Hong Kong Ltd	Hong Kong
Bioquell Inc	Pennsylvania, USA
Bioquell Defense Inc	Pennsylvania, USA
Bioquell Professional Services Inc	Pennsylvania, USA
Bioxyquell Ltd (Dormant)	Andover, UK

The principal activities of the above companies include the design, manufacture and supply of bio-decontamination and containment equipment, related products and services to the pharmaceutical, healthcare, food and defence industries, and testing services to the aerospace, telecoms, defence and other industries.

	Investment in subsidiaries		
	Shares £'000	Loans £'000	Total £'000
Cost			
As at 1 January 2015	111	9,375	9,486
Foreign exchange differences	—	(16)	(16)
Additions – capital contribution made to subsidiaries	—	44	44
As at 31 December 2015	**111**	**9,403**	**9,514**
Provision for impairment			
As at 1 January 2015 and 31 December 2015	**103**	**509**	**612**
Net book value			
As at 31 December 2015	**8**	**8,894**	**8,902**
As at 31 December 2014	**8**	**8,866**	**8,874**

6. Debtors

	2015 £'000	2014 £'000
Debtors due within one year:		
Amounts due from subsidiary undertakings	**1,466**	1,465
Corporation and other tax	**—**	131
Prepayments and accrued income	**201**	225
	1,667	1,821
Debtors due after one year:		
Amounts due from subsidiary undertakings	**3,480**	3,741
Total debtors	**5,147**	5,562

7. Creditors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Accruals and deferred income	**266**	217
Bank loan	**—**	105
Derivative financial instruments	**—**	2
Corporation tax	**236**	—
Deferred tax	**274**	283
	776	607
Amounts falling due after one year:		
Bank loan	**—**	758
	—	758

Notes to the Company financial statements continued
for the year ended 31 December 2015

8. Called up share capital

	2015 Number	2015 £'000	2014 Number	2014 £'000
Authorised				
Ordinary shares of 10p each	**55,947,780**	**5,595**	55,947,780	5,595
Redeemable deferred ordinary shares of £1 each	**255,222**	**255**	255,222	255
		5,850		5,850
Called up, allotted and fully paid up				
Ordinary shares of 10p each	**42,664,082**	**4,266**	42,535,363	4,254
		4,266		4,254

During the year the Company issued a total of 128,719 ordinary shares of 10p each for £130,000 on the conversion of options under the executive share option schemes and the Sharesave scheme, which is being used to provide additional working capital.

9. Share premium account

	£'000
Balance at 1 January 2014	712
Premium arising on issue of equity shares	89
Balance at 1 January 2015	801
Premium arising on issue of equity shares	118
Balance at 31 December 2015	**919**

10. Equity reserves

	£'000
Balance at 1 January 2014	1,979
Credit to equity for share-based payments	17
Credit to equity for share-based payments to subsidiary employees	106
Balance at 1 January 2015	2,102
Credit to equity for share-based payments	75
Credit to equity for share-based payments to subsidiary employees	44
Balance at 31 December 2015	**2,221**

11. Capital reserves

	£'000
Balance at 1 January 2014 and 1 January 2015	255
Additions	—
Balance at 31 December 2015	255

12. Profit and loss account

	£'000
Balance at 1 January 2014	9,299
Loss for the financial year	(73)
Dividends paid in the year	(1,404)
Waiver of debts from dormant subsidiaries	(224)
Exchange loss	(87)
Balance at 1 January 2015	7,511
Profit for the financial year	137
Dividends paid in the year	(1,406)
Dividend received in the year	2,000
Profit on disposal of TRaC Global Ltd	43,229
Exchange loss	(64)
Balance at 31 December 2015	**51,407**

Notes to the Company financial statements continued
for the year ended 31 December 2015

13. Reconciliation of movements in shareholders' funds

	£'000
Balance at 1 January 2014	16,488
Issue of equity shares	100
Equity reserve – share-based payments	17
Credit to equity for share-based payments to subsidiary employees	106
Loss for the financial year	(73)
Dividends paid in the year	(1,404)
Waiver of debts from dormant subsidiaries	(224)
Exchange loss	(87)
Balance at 1 January 2015	14,923
Issue of equity shares	130
Equity reserve – share-based payments	75
Credit to equity for share-based payments to subsidiary employees	44
Profit for the financial year	137
Dividends paid in the year	(1,406)
Dividends received in the year	2,000
Profit on disposal of TRaC Global Ltd	43,229
Exchange loss	(64)
Balance at 31 December 2015	**59,068**

14. Share-based payments

Equity-settled share option schemes

The Company's employees are able to participate in the Group's share option schemes. Details of these schemes are given in note 35 of the Group's accounts.

Details of the share options outstanding with employees of the Company during the year are as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price pence**	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	**985,550**	**182.3**	1,458,550	123.2
Granted during the year	**423,000**	**120.5**	402,000	128.0
Lapsed during the year	**(248,000)**	**125.3**	(875,000)	116.9
Transferred to subsidiary during the year	**(121,550)**	**126.5**	—	—
Outstanding at the end of the year	**1,039,000**	**128.4**	985,550	182.3
Exercisable at the end of the year	**40,000**	**123.6**	114,550	129.5

Note 33 of the Group accounts describes the valuation method for share options.

15. Explanation of transition to FRS102

This is the first year that the Company has presented its financial statements under FRD102. The following disclosures are required in the year of transition: the last financial statement under previous UK GAAP were for the year ended 31 December 2014 and the date of transition was therefore 1 January 2014. There were no accounting adjustments identified as a consequence of adopting FRS 102.

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