

Registration number: 01008026

SEQUANI LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022

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SEQUANI LIMITED

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SEQUANI LIMITED

COMPANY INFORMATION

Directors Mr S Eckley
 Supersummer Services Limited

Registered office Bromyard Road
 Ledbury
 Herefordshire
 HR8 1LH

SEQUANI LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2022

The directors present their strategic report for the year ended 31 July 2022.

Principal activity

The company's principal activities during the year continued to be the provision of contract research and development services for the drug development, crop protection and chemical safety industries.

Fair review of the business

The results for the year which are set out in the profit and loss account show turnover of £19,025,475 (2021 - £20,172,277) and an operating profit of £7,140,308 (2021 - £8,532,652). At 31 July 2022, the company had net assets of £24,925,677 (2021 - £21,218,647). General market conditions in both the pharmaceutical, agrochemical and chemical sectors remained positive and utilisation was positive throughout the year.

Principal risks and uncertainties

The company is geographically well spread and benefits from a size and structure which should mean the company is well positioned for future market conditions and benefits from strong liquidity. The company's senior leadership team that meets monthly evaluates company risk. The principal risks and uncertainties facing the company are broadly grouped as research and development activity, competitive, legislative, foreign exchange and liquidity risk.

Research and development activity

The key business risks facing the company are considered to be the level of research and development activity undertaken by existing and potential customers, as well as the outsourcing policies of these customers. These risks are managed by working across pharmaceutical, agrochemical and chemical sectors, as well as active sales programs, client engagement and monitoring of concentration of turnover.

Competitive risks

The company is reliant on many organisations in the UK, Europe and the USA for contracts which are subject to competitive tender. Award of contracts is uncertain and based on financial and performance criteria. The principal competitive risk relates to large multi-nationals buying capacity via "loss leader" products. A significant number of the company's contracts with its customers include a fixed price for an agreed scope of work. Failure to adequately price contracts or cost overruns during delivery of projects can have an effect on operating results.

Legislative risks

Regulatory toxicology services must be delivered to appropriate standards. These standards are subject to revision and any new standard may have an impact on the ability of the company to supply that service at a profit. In addition, compliance imposes costs and failure to comply with the standards could materially affect the company's ability to operate. Failure to comply with the broad range of regulatory controls around the testing and approval of products could result in the termination of ongoing research, or the disqualification of data for submission to regulatory authorities.

Other risks

Any impact that might be posed by the invasion of Ukraine is being actively reviewed and managed. It is not anticipated that it will have a negative impact on our business acquisition and that we will be able to manage changes in supply costs and our diversified supply chain will contain any supply issues.

The Board remains active in monitoring the situation regarding COVID-19 including the impact any outbreak will have on the workforce, customers and the business as a whole. This includes adopting the advice issued by the UK government and various Non-Government Organisations. The Board have put in place steps to mitigate and monitor the risks and uncertainty as they evolve.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro and US Dollar. In order to limit this risk in the medium to longer term, sale contracts are primarily structured to allow recovery of a sterling value converted at the currency rate with predefined fluctuation limits. The risk is therefore primarily limited to these predefined limits and this is considered to be an acceptable level.

SEQUANI LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

Liquidity and cash flow risk

The company aims to mitigate cash flow and liquidity risk by managing cash generation from its operations and applying cash collection targets.

Approved by the Board on 24 April 2023 and signed on its behalf by:



Supersummer Services Limited
Director

SEQUANI LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2022

The directors present their report and the financial statements for the year ended 31 July 2022.

Directors of the company

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

Mr S Eckley

Supersummer Services Limited

Financial instruments

The company's financial instruments comprise cash and liquid resources and various other items such as trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to finance the operations of the company.

The company is exposed to the usual credit risk and cash flow risk associated with conducting business on credit and manages this through credit control procedures and staged payments. The nature of these financial instruments means that they are not subject to price risk or liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The company's operating profit for the year was £7,140,308 (2021 - £8,532,652). The company declared a dividend of £1,800,000 during the year.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation. During the year, the policy of providing employees with information about the company has been continued on all matters relevant to them through a variety of media. These include quarterly company briefings, departmental meetings and one to one feedback, as well as a dedicated intranet site and social discussion boards. The key information provided to employees includes financial performance of the company, regulatory and quality issues and performance improvement initiatives. Employees have also been encouraged to present their suggestions and views on performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Future developments

The directors expect the business to continue to operate within the contract research field offering services relevant to product development groups in the drug development, crop protection and chemical safety industries. The directors aim to maintain the management policies which have resulted in the company's growth in recent years.

Research and development

The company continues to undertake research and development. The expenditure is written off in the year in which it is incurred. Qualifying costs of £5,305,112 (2021 - £4,783,349) were written off during the year.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, liquidity and cash flow risk are described in the Strategic Report. The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and sectors. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite any uncertain economic outlook. The directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

SEQUANI LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

Disclosure of information to the auditors

Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board on 24 April 2023 and signed on its behalf by:



Supersummer Services Limited
Director

SEQUANI LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

SEQUANI LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEQUANI LIMITED

Opinion

We have audited the financial statements of Sequani Limited (the 'company') for the year ended 31 July 2022, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

SEQUANI LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEQUANI LIMITED (CONTINUED)

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory requirements applicable to the company financial statements or that had a fundamental effect on the operations of the company. We determined that the most significant laws and regulations included United Kingdom Generally Accepted Accounting Practice, UK Companies Act 2006 and taxation laws.
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management, and those responsible for legal and compliance procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - identifying and testing journal entries, in particular any journal entries with unusual characteristics.

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

SEQUANI LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEQUANI LIMITED (CONTINUED)

Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Senior statutory auditor exemption

In accordance with section 506 of the Companies Act 2006 a resolution has been passed and notified to the Secretary of State. The audit report was signed on 25 April 2023.

SEQUANI LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2022**

	Note	2022 £	2021 £
Turnover	3	19,025,475	20,172,277
Cost of sales		<u>(7,708,613)</u>	<u>(7,473,780)</u>
Gross profit		11,316,862	12,698,497
Administrative expenses		(4,867,610)	(4,788,849)
Other operating income	4	<u>691,056</u>	<u>623,004</u>
Operating profit	5	7,140,308	8,532,652
Other interest receivable and similar income	6	<u>60,697</u>	<u>15,561</u>
Profit before tax		7,201,005	8,548,213
Taxation	10	<u>(1,693,975)</u>	<u>(1,906,410)</u>
Profit for the financial year		<u>5,507,030</u>	<u>6,641,803</u>

The above results were derived from continuing operations.

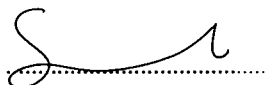
The company has no other comprehensive income for the year.

SEQUANI LIMITED

(REGISTRATION NUMBER: 01008026)
BALANCE SHEET AS AT 31 JULY 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	<u>11,906,462</u>	<u>5,606,900</u>
Current assets			
Stocks	12	306,360	294,020
Debtors	13	2,887,317	2,871,014
Cash at bank and in hand		<u>20,963,511</u>	<u>22,667,754</u>
		24,157,188	25,832,788
Creditors: Amounts falling due within one year	15	<u>(8,320,909)</u>	<u>(8,987,888)</u>
Net current assets		<u>15,836,279</u>	<u>16,844,900</u>
Total assets less current liabilities		27,742,741	22,451,800
Deferred tax liabilities	10	<u>(2,817,064)</u>	<u>(1,233,153)</u>
Net assets		<u>24,925,677</u>	<u>21,218,647</u>
Capital and reserves			
Called up share capital	17, 18	16,783	16,783
Profit and loss account	18	<u>24,908,894</u>	<u>21,201,864</u>
Total equity		<u>24,925,677</u>	<u>21,218,647</u>

Approved and authorised by the Board on 24 April 2023 and signed on its behalf by:



Supersummer Services Limited
 Director

The notes on pages 14 to 23 form an integral part of these financial statements.

SEQUANI LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2022

	Share capital £	Profit and loss account £	Total £
At 1 August 2021	16,783	21,201,864	21,218,647
Profit for the year	-	5,507,030	5,507,030
Dividends	-	(1,800,000)	(1,800,000)
At 31 July 2022	<u>16,783</u>	<u>24,908,894</u>	<u>24,925,677</u>

	Share capital £	Profit and loss account £	Total £
At 1 August 2020	16,783	16,960,061	16,976,844
Profit for the year	-	6,641,803	6,641,803
Dividends	-	(2,400,000)	(2,400,000)
At 31 July 2021	<u>16,783</u>	<u>21,201,864</u>	<u>21,218,647</u>

The notes on pages 14 to 23 form an integral part of these financial statements.

SEQUANI LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		5,507,030	6,641,803
Adjustments to cash flows from non-cash items			
Depreciation	5	364,572	332,168
(Profit)/loss on disposal of tangible assets	5	(14,350)	58,633
Finance income	6	(60,697)	(15,561)
Income tax expense	10	1,693,975	1,906,410
		<u>7,490,530</u>	<u>8,923,453</u>
Working capital adjustments			
Increase in stocks		(12,340)	(9,498)
Decrease/(increase) in trade and other receivables		472,061	(275,643)
(Decrease)/increase in trade and other payables		<u>(666,979)</u>	<u>1,838,199</u>
Cash generated from operations		7,283,272	10,476,511
Income taxes (paid)/received		<u>(598,428)</u>	<u>184,649</u>
Net cash flow from operating activities		<u>6,684,844</u>	<u>10,661,160</u>
Cash flows from investing activities			
Interest received		60,697	15,561
Acquisitions of tangible assets		(6,665,067)	(2,392,910)
Proceeds from sale of tangible assets		<u>15,283</u>	<u>-</u>
Net cash flows from investing activities		(6,589,087)	(2,377,349)
Cash flows from financing activities			
Dividends paid		<u>(1,800,000)</u>	<u>(2,400,000)</u>
Net (decrease)/increase in cash and cash equivalents		(1,704,243)	5,883,811
Cash and cash equivalents at 1 August		<u>22,667,754</u>	<u>16,783,943</u>
Cash and cash equivalents at 31 July	14	<u>20,963,511</u>	<u>22,667,754</u>

Analysis of net debt

	At 1 August 2021 £	Cash flow £	At 31 July 2022 £
Cash at bank and in hand	22,667,754	(1,704,243)	20,963,511
Net debt	<u>22,667,754</u>	<u>(1,704,243)</u>	<u>20,963,511</u>

The notes on pages 14 to 23 form an integral part of these financial statements.

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

1 General information

The company is a and incorporated and domiciled in England and Wales.

The address of its registered office is:

Bromyard Road
Ledbury
Herefordshire
HR8 1LH
England

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

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

Basis of preparation

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

The presentational currency of the financial statements is UK £, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest £.

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing these financial statements.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

No significant judgements have been made by management in preparing these financial statements.

Key sources of estimation uncertainty

Gross amounts due from customers for contract work:

Determining the amounts to be recorded in the profit and loss account in respect of revenue from contract work and the amounts to be recorded in the balance sheet in respect of amounts recoverable on contracts and payments received on account requires an estimation of the stage of completion of the contract activity at the balance sheet date. As explained below, the stage of completion is measured by the percentage of revenue recognised on a set contract profile.

No key sources of estimation uncertainty have been identified by management in preparing these financial statements other than those detailed in these accounting policies.

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

2 Accounting policies (continued)

Revenue recognition

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

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is measured by the percentage of revenue recognised from a set contract profile. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Foreign currency transactions and balances

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange at the balance sheet date. All realised foreign exchange differences are taken to the profit and loss account.

Tax

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

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

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

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

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Depreciation

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

Asset class	Depreciation method and rate
Freehold property	2-50 years straight line
Laboratory and high tech equipment	2-25 years straight line
Furniture, fittings and equipment	2-25 years straight line
Motor vehicles	25% reducing balance

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

2 Accounting policies (continued)

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call 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 change in value.

Trade debtors

Trade debtors are amounts due from customers for contracts or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

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

If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

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

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

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

2 Accounting policies (continued)

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3 Revenue

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

	2022	2021
	£	£
Rendering of services	19,025,475	20,172,277

SEQUANI LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022
(CONTINUED)****3 Revenue (continued)**

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

	2022	2021
	£	£
United Kingdom	9,411,644	12,768,380
Europe	6,123,927	4,398,879
Rest of World	741,923	260,494
United States of America	2,747,981	2,744,524
	<u>19,025,475</u>	<u>20,172,277</u>

4 Other operating income

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

	2022	2021
	£	£
Other operating income	<u>691,056</u>	<u>623,004</u>

Other operating income includes £689,997 (2021 - £621,835) relating to above the line research & development expenditure credits.

5 Operating profit

Arrived at after charging:

	2022	2021
	£	£
Depreciation expense	364,572	332,168
Research and development cost	5,305,112	4,783,349
Foreign exchange losses	34,912	15,814
Operating lease expense - plant and machinery	9,366	10,606
(Profit)/loss on disposal of property, plant and equipment	<u>(14,350)</u>	<u>58,633</u>

6 Other interest receivable and similar income

	2022	2021
	£	£
Bank interest	<u>60,697</u>	<u>15,561</u>

7 Staff costs

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

	2022	2021
	£	£
Wages and salaries	6,172,117	6,010,479
Social security costs	665,129	621,551
Pension costs, defined contribution scheme	228,971	238,087
	<u>7,066,217</u>	<u>6,870,117</u>

SEQUANI LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022
(CONTINUED)****7 Staff costs (continued)**

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

	2022	2021
	No.	No.
Administrative staff	46	47
Laboratory and research staff	119	118
	<u>165</u>	<u>165</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration for qualifying services	<u>146,100</u>	<u>142,100</u>

9 Auditors' remuneration

	2022	2021
	£	£
Audit of the financial statements	<u>20,850</u>	<u>16,700</u>

10 Taxation

Tax charged in the profit and loss account

	2022	2021
	£	£
Current taxation		
UK corporation tax	110,003	1,226,535
UK corporation tax adjustment to prior periods	61	-
	<u>110,064</u>	<u>1,226,535</u>
Deferred taxation		
Arising from origination and reversal of timing differences	1,203,773	383,918
Arising from changes in tax rates and laws	380,138	295,957
Total deferred taxation	<u>1,583,911</u>	<u>679,875</u>
Tax expense in the profit and loss account	<u>1,693,975</u>	<u>1,906,410</u>

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

10 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	<u>7,201,005</u>	<u>8,548,213</u>
Corporation tax at standard rate	1,368,191	1,624,160
Effect of expense not deductible in determining taxable profit (tax loss)	89	7
Increase in UK tax from adjustment for prior periods	61	-
Fixed asset differences	(49,736)	(5,448)
Additional reduction for R&D expenditure	(4,768)	(8,266)
Remeasurement of deferred tax for changes in tax rates	<u>380,138</u>	<u>295,957</u>
Total tax charge	<u>1,693,975</u>	<u>1,906,410</u>

In March 2021, changes to the UK corporation tax rate were announced by the Chancellor of the Exchequer, including an increase in the main rate of corporation tax from 19% to 25% from April 2023. The enacted rates at the balance sheet date have been appropriately reflected in the calculation of deferred tax in the company's financial statements.

Deferred tax

Deferred tax assets and liabilities

	Liability £
2022	
Fixed asset timing differences	2,819,189
Short term timing differences	<u>(2,125)</u>
	<u>2,817,064</u>
2021	
Fixed asset timing differences	1,235,653
Short term timing differences	<u>(2,500)</u>
	<u>1,233,153</u>

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

11 Tangible assets

	Freehold land and buildings £	Laboratory and high tech equipment £	Assets under construction £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost						
At 1 August 2021	1,094,062	3,314,219	2,389,905	3,282,524	43,338	10,124,048
Additions	1,150	856,272	5,777,655	29,990	-	6,665,067
Disposals	-	(228,811)	-	(3,378)	-	(232,189)
At 31 July 2022	<u>1,095,212</u>	<u>3,941,680</u>	<u>8,167,560</u>	<u>3,309,136</u>	<u>43,338</u>	<u>16,556,926</u>
Depreciation						
At 1 August 2021	140,559	2,108,304	-	2,229,188	39,097	4,517,148
Charge for the year	19,918	174,926	-	168,739	989	364,572
Eliminated on disposal	-	(228,115)	-	(3,141)	-	(231,256)
At 31 July 2022	<u>160,477</u>	<u>2,055,115</u>	<u>-</u>	<u>2,394,786</u>	<u>40,086</u>	<u>4,650,464</u>
Carrying amount						
At 31 July 2022	<u>934,735</u>	<u>1,886,565</u>	<u>8,167,560</u>	<u>914,350</u>	<u>3,252</u>	<u>11,906,462</u>
At 31 July 2021	<u>953,503</u>	<u>1,205,915</u>	<u>2,389,905</u>	<u>1,053,336</u>	<u>4,241</u>	<u>5,606,900</u>

Assets under construction with a carrying amount of £8,167,560 (2021 - £2,389,905) relate to the costs associated with the build of a Bio Medical Research Facility.

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

12 Stocks

	2022	2021
	£	£
Raw materials and consumables	<u>306,360</u>	<u>294,020</u>

13 Debtors

	2022	2021
	£	£
Trade debtors	1,214,527	2,381,477
Other debtors	12,973	876
Prepayments and accrued income	348,770	320,974
Gross amounts due from customers for contract work	74,386	109,387
Corporation tax	<u>1,236,661</u>	<u>58,300</u>
Total current trade and other debtors	<u>2,887,317</u>	<u>2,871,014</u>

14 Cash and cash equivalents

	2022	2021
	£	£
Cash at bank	<u>20,963,511</u>	<u>22,667,754</u>

15 Creditors

	2022	2021
	£	£
Due within one year		
Trade creditors	498,084	419,567
Dividends payable on intercompany	21 1,800,000	2,400,000
Social security and other taxes	160,266	466,810
Other creditors	3,323	2,890
Accrued expenses	1,213,031	1,051,790
Payments received on account	<u>4,646,205</u>	<u>4,646,831</u>
	<u>8,320,909</u>	<u>8,987,888</u>

16 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £228,971 (2021 - £238,087). There was £8,500 (2021 - £10,000) outstanding at the year end.

SEQUANI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022 (CONTINUED)

17 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary Shares of £0.10 each	<u>167,830</u>	<u>16,783</u>	<u>167,830</u>	<u>16,783</u>

18 Reserves

Called up share capital

This represents the nominal value of the issued share capital of the company.

Retained earnings

This represents the cumulative profits or losses, net of dividends paid and other adjustments.

19 Obligations under leases

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	8,622	9,366
Later than one year and not later than five years	<u>8,101</u>	<u>12,234</u>
	<u>16,723</u>	<u>21,600</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £9,366 (2021 - £10,606).

20 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £695,429 (2021 - £6,156,180).

21 Related party transactions

Key management personnel

Key management personnel are considered to be the directors of the company, and key management personnel compensation is disclosed in note 8 of the financial statements.

Supersummer Services Limited (Director and shareholder)

During the year dividends of £1,800,000 (2021 - £2,400,000) were declared and at the balance sheet date £1,800,000 (2021 - £2,400,000) was owed to Supersummer Services Limited.

22 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is Supersummer Services Limited, incorporated in the British Virgin Islands. The ultimate controlling party is Mr S Eckley.