

REGISTERED NUMBER: 02498351 (England and Wales)

Directors' Report and
Financial Statements for the Year Ended 31 December 2019
for
Perceptive Instruments Limited



Perceptive Instruments Limited

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for the Year Ended 31 December 2019

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Perceptive Instruments Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	N J Goldsmith P J Reason D M Sherwin
SECRETARY:	Oakwood Corporate Secretary Limited
REGISTERED OFFICE:	Diamond Way Stone Business Park Stone Staffordshire ST15 0SD
REGISTERED NUMBER:	02498351 (England and Wales)
AUDITORS:	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB
BANKER:	National Westminster Bank plc 41 Greengate Street Stafford ST16 2JA

Perceptive Instruments Limited

Directors' Report
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The Company is part of the Instem plc Group which is a leading supplier of IT applications to the life sciences healthcare market, delivering compelling solutions for data collection, management and analysis across the R&D continuum. As of 31 December 2019, the Group's EBITDA (Earnings before interest, tax, depreciation, amortisation, impairment of goodwill and capitalised development and non-recurring items) was £4.9m.

The principal activity of Perceptive Instruments Limited is the design, development, supply, installation and support of software and hardware for image analysis and data processing primarily for pharmaceutical, agrochemical, food and other industrial applications.

REVIEW OF THE BUSINESS

During the year ended 31 December 2019, the Company's turnover decreased by 20% to £578,000 compared to £698,000 in 2018, as a result of the Group's intention to move long-standing clients from Licence arrangements to SaaS deployment. The Company's profit for the year decreased by 4% to £256,000 compared with £268,000 in 2018. The Company's profits decreased proportionally less than the revenue due to a reduction in staff costs and general cost management.

During the year ended 31 December 2019, the internally generated intangible asset was increased by 78% as the Company prioritised the development of software for sale to third parties. As a result, the costs which are directly attributable to the development activity, such as the employee costs, overheads and direct third-party costs have been capitalised.

PRIOR YEAR ADJUSTMENTS

Comparative figures have been adjusted to conform with changes in the presentation for the current year. Details of the adjustment are disclosed in note 9.

DIVIDENDS

The directors do not recommend the payment of a dividend (2018: £nil).

FUTURE DEVELOPMENTS

Over recent years the Company has invested significantly in a global infrastructure that has created a solid platform for future growth and have established long-term relationships with its blue-chip client base. Importantly, the Company is well positioned to add new clients and generate increasing revenues from existing clients.

Increased revenue predictability and high retention rates provide a strong foundation from which the business can grow as it builds on the momentum achieved during 2019. The Company has remained very busy and the directors continue to have confidence in the longer-term outlook for the business.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

N J Goldsmith
P J Reason
D M Sherwin

INDEMNITY OF DIRECTORS

Under the Company's Articles of Association and subject to the provisions of the Companies Act, the Company may and has indemnified all directors and other officers against liability incurred in the execution or discharge of their duties or the exercise of their powers, including but not limited to any liability for the costs of any legal proceedings. The Company has purchased and maintains appropriate insurance cover against legal action brought against directors or officers.

Perceptive Instruments Limited

Directors' Report
for the Year Ended 31 December 2019

CORONAVIRUS (COVID-19)

Like most businesses worldwide the Company is having to deal with the impact of COVID-19, with its primary concern being the safety and wellbeing of its staff and their families. The Company continues to follow and adhere to the advice of government authorities in each territory in which its staff are based.

The Company has the benefit of operating in a sector where significant worldwide focus is on identifying vaccines and therapies for COVID-19, with a number of its customers directly involved in this work. While the Company expects some disruption to demand for its products and services there is also expected to be some increases in customer demand.

GOING CONCERN

The Directors have assessed the Group financial position and liquidity at the end of the reporting period and for the forecast period up to 31 December 2022. The going concern period covers the 12 months from the date of signing the financial statements. For the going concern assessment please refer to page 15.

SUBSEQUENT EVENTS

Events occurring after the balance sheet date have been disclosed in accordance with IAS 10, 'Events after the reporting period'. Details are provided in note 23 to the Financial Statements.

AUDITORS

During the year Grant Thornton UK LLP were appointed as auditor. Grant Thornton UK LLP has indicated its willingness to continue in office.

ON BEHALF OF THE BOARD:

Nigel Goldsmith

N J Goldsmith - Director
Date: 27 May 2021

Perceptive Instruments Limited

Statement of Directors' Responsibilities
for the Year Ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

**Report of the Independent Auditor to the Members of
Perceptive Instruments Limited**

Opinion

We have audited the financial statements of Perceptive Instruments Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 101 'Reduced Disclosure Framework' (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 December 2019 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 Auditors' 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Report of the Independent Auditor to the Members of
Perceptive Instruments Limited**

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditor's 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.

Opinions on other matters 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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:

- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

**Report of the Independent Auditor to the Members of
Perceptive Instruments Limited**

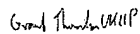
Auditors' responsibilities for the audit of the financial statements

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 a Report of the Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditor.

Use of our report

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

 Grant Thornton UK LLP

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 27 May 2021

Perceptive Instruments LimitedIncome Statement
for the Year Ended 31 December 2019

		2019		2018 as restated	
	Notes	£'000	£'000	£'000	£'000
REVENUE	3		578		698
Staff costs	4	213		280	
Depreciation and amortisation		54		35	
Other operating (income)/expenses		<u>(17)</u>		<u>150</u>	
			<u>(250)</u>		<u>(465)</u>
OPERATING PROFIT			328		233
Interest receivable and similar income	5		<u>-</u>		<u>56</u>
			328		289
Interest payable and similar expenses	6		<u>(55)</u>		<u>-</u>
PROFIT BEFORE TAXATION	7		273		289
Taxation	8		<u>(17)</u>		<u>(21)</u>
PROFIT FOR THE FINANCIAL YEAR			<u>256</u>		<u>268</u>

The notes on pages 13 to 41 form part of these financial statements

Perceptive Instruments Limited

Other Comprehensive Income
for the Year Ended 31 December 2019

	2019 £'000	2018 as restated £'000
PROFIT FOR THE YEAR	256	268
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>256</u>	<u>268</u>

The notes on pages 13 to 41 form part of these financial statements

Perceptive Instruments Limited (Registered number: 02498351)Statement of Financial Position31 December 2019

		2019		2018 as restated	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Owned					
Intangible assets	10		348		195
Tangible assets	11		3		8
Right-of-use assets	11, 16		<u>38</u>		<u>-</u>
			389		203
CURRENT ASSETS					
Stocks	12	36		37	
Debtors	13	2,946		2,897	
Cash at bank		<u>316</u>		<u>330</u>	
		3,298		3,264	
CREDITORS					
Amounts falling due within one year	14	<u>60</u>		<u>88</u>	
NET CURRENT ASSETS			<u>3,238</u>		<u>3,176</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,627		3,379
CREDITORS					
Amounts falling due after more than one year	15		(19)		-
PROVISIONS FOR LIABILITIES	17		(59)		(45)
DEFERRED INCOME	18		<u>(109)</u>		<u>(149)</u>
NET ASSETS			<u>3,440</u>		<u>3,185</u>
CAPITAL AND RESERVES					
Called up share capital	19		-		-
Capital contribution reserve			106		106
Retained earnings			<u>3,334</u>		<u>3,079</u>
SHAREHOLDERS' FUNDS			<u>3,440</u>		<u>3,185</u>

The notes on pages 13 to 41 form part of these financial statements

Perceptive Instruments Limited (Registered number: 02498351)

Statement of Financial Position - continued
31 December 2019

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2021 and were signed on its behalf by:

Nigel Goldsmith

N J Goldsmith - Director

The notes on pages 13 to 41 form part of these financial statements

Perceptive Instruments LimitedStatement of Changes in Equity
for the Year Ended 31 December 2019

	Notes	Called up share capital £'000	Capital contribution reserve £'000	Retained Earnings £'000	Total equity £'000
Balance as at 1 January 2018 as originally reported		-	106	1,325	1,431
Prior Year Adjustment	9	-	-	1,486	1,486
Profit for the year - as restated	9	-	-	268	268
Balance as at 31 December 2018 restated		-	106	3,079	3,185
Adjustment on initial application of application of IFRS16		-	-	(1)	(1)
Adjusted balance as at 1 January 2019		-	106	3,078	3,184
Profit for the year		-	-	256	256
Balance as at 31 December 2019		-	106	3,334	3,440

The notes on pages 13 to 41 form part of these financial statements

Perceptive Instruments Limited

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. STATUTORY INFORMATION

Perceptive Instruments Limited ("the Company") is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The principal activity of the Company is the design, development, supply, installation and support of software and hardware for image analysis and data processing primarily for the pharmaceutical, agrochemical, food and other industrial applications.

The address of the Company's registered office is Diamond Way, Stone Business Park, Stone, Staffordshire, ST15 0SD.

2. ACCOUNTING POLICIES

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC).

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

These financial statements of Perceptive Instruments Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). This framework is issued by the FRC incorporating The Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

The following IFRSs, IASs and IFRICs have been adopted for the first time in the year:

The Company has adopted IFRS 16 Leases from 1 January 2019 using the modified retrospective approach and has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities on the statement of financial position in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.0%. For longer leases of over 5 years a discount rate of 5% has been applied. Any prepaid or accrued lease payments relating to leases recognised in the statement of financial position as at 31 December 2018 have been adjusted against the value of right of use assets as at 1 January 2019.

Instead of recognising an operating expense for its operating lease payments, the Company now instead recognises interest on its lease liabilities and amortisation on its right of use assets.

Right of use assets increased by £54,000 on 1 January 2019, comprising land & buildings. Lease liabilities for land & buildings on 1 January 2019 are £54,000. The net impact on retained earnings on 1 January 2019 was a decrease of £1,000.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

In applying the modified retrospective approach, the Company has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- Impairment losses on right of use assets as at 1 January 2019 have been measured by reference to the amount of any onerous lease provision recognised on 31 December 2018.
- Leases with a remaining term of 12 months or less from the date of initial application have not been recognised on the statement of financial position with payments instead recognised as an expense over the lease term on a straight-line basis.
- The Company has not reassessed whether contracts are, or contain, a lease as at the date of initial application. The Company has therefore not applied the requirements of IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4.
- For the purposes of measuring the right of use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively.

Management have concluded that the interest rate implicit in the leases cannot not be readily determined therefore the leases held have been discounted by the incremental borrowing rate (IBR), being the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain assets of a similar value to the right of use assets in a similar economic environment.

Going concern

The Company's assessment for going concern relies on the financial position of the Group, its cash flows and liquidity position are set out in the primary statements within these financial statements. A letter of support was provided by Instem plc (Group) and if the Company is in a difficult cash position, then the Group would become responsible for the going concern of the subsidiary.

Background

The Directors have assessed the Group financial position and liquidity at the end of the reporting period and for the forecast period up to 31 December 2022, including sensitivity analysis. The going concern period covers the 12 months from the date of signing the financial statements. The process and key judgements in coming to this conclusion are set out below.

Current trading and liquidity

The Instem Group's trading performance for the year ended 31 December 2020 has been strong with Revenues of £28.2m and Adjusted EBITDA of £5.9m. Instem is fully operational, with all staff in all territories working from home in accordance with governmental guidelines, no staff have been furloughed and there is no intention of curtailing any business activities. The company has continued to recruit staff across its geographic footprint.

The Group's financing arrangements consist of a net overdraft facility of £0.5m and a gross limit of £9.0m with NatWest Bank plc to support the Group's working capital needs. As of 31 December 2020, the net facility was undrawn (2019: undrawn). There are no material covenants associated with the facility.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Following the announcement of the 2019 preliminary results Instem plc undertook an oversubscribed equity fund raise in July 2020, raising gross funds of £15.75m, £15.0m net of expenses. A further six prestigious institutions were added to the list of shareholders. The Group spent £4.0m initially funding the acquisition of The Edge Software Consultancy Ltd ('The Edge') on 1st March 2021 and \$13m on the initial funding of d-Wise Technologies, Inc ('d-wise') on 1st April 2021. The Group remains in a strong financial position as both of these acquisitions are expected to be accretive and cash generative.

During 2020, the Group received US government support loans of \$1.1m (£0.8m). The Group have applied for these sums to be forgiven and one out of the two is already forgiven. It is also expected to receive a favourable outcome for the remaining balance as all the qualifying criteria have been met.

The Group acquired the earnings enhancing, cash generative business of Leadscope Inc. in November 2019, which has been steadily integrated within the Group during 2020. The only financial obligation associated with this acquisition during 2021 is a deferred consideration payment of \$0.3m due in November 2021.

Other than the initial consideration paid for The Edge and d-wise there are no further financial obligations payable associated with the acquisitions until 2022, when deferred and contingent consideration will be due.

Sensitivity Analysis

The Group has considered three scenarios the (a) Base Case Scenario, (b) Sensitised Scenario and (c) Extreme downside Scenario which are also linked to the company's risks when modelling the forecast results and cash flow. The sensitivity assessment includes the trading performance and cash flows of the Edge and d-wise from the date of the acquisitions.

Despite the negative impact of these sensitivities the model demonstrated that the Group remained viable, even though profitability and cash over the next twelve months was reduced. Finally, the Group is expected to remain a going concern even applying the extreme downside scenario sensitivity analysis throughout the forecast period to 31 December 2022, by taking sufficient remedial action.

Conclusion and Going Concern Statement

After considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing Perceptive Instruments Limited annual report and accounts as a letter of support was provided by Instem Plc, the Company's parent company.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Revenue recognition

The Company generates revenue from the provision of software licences, annual support, SaaS subscriptions, professional services and technology enabled outsourced services.

At contract inception, an assessment is completed to identify the performance obligations in each contract. Performance obligations in a contract are either goods or services that are distinct or part of a series of goods or services that are substantially the same and have the same pattern of transfer to the customer. Promises that are not distinct are combined with other promised goods or services in the contract, until a performance obligation is satisfied.

At contract inception, the transaction price is determined, being the amount that the Company expects to receive for transferring the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on their relative standalone selling prices. The Company has determined that the contractually stated price represents the standalone selling price for each performance obligation.

Revenue is recognised when a performance obligation has been satisfied by transferring the promised product or service to the customer.

Revenue is recognised when a performance obligation has been satisfied by transferring the promised product or service to the customer.

Software licences

Revenue from the sale of the software licences is recognised when the customer takes possession of the software which is usually when the license key is provided to the customer. This is because the software is functional at the time the licence transfers to the customer and the Company is not required or expected to undertake activities that significantly affect the utility of the intellectual property by the customer.

Annual support

Customers typically enter into a support contract for a period of twelve months. This contract provides the customer with access to technical support and software upgrades. The promises in these contracts are a single performance obligation, which is satisfied over time as the customer consumes the benefits of the service. Revenue in respect of the single performance obligation is recognised evenly over the contract term.

SaaS subscription and support

Customers typically enter into a SaaS contract for a period of twelve months and pay a fixed amount in exchange for the usage of software on a hosted server over a specified period of time along with access to maintenance and support. Initial SaaS contracts may also include some installation or customisation of the software and training for staff. The promises in this contract are considered to be a single performance obligation as the subscription and support are highly interdependent on one another given that the customers are required to take the full package of both the software and support services i.e. Instem would not be able to provide the support services without the provision of the software nor provide the software without the support services. The revenue is recognised over the period of the contract on a straight-line basis as the customer simultaneously receives and consumes the benefits of the software and services provided by the Company.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Bundled contracts

Software licences, professional services - and annual support are often bundled together in a contract.

Where the contract assessment identifies that the sale does not meet the criteria to be a distinct performance obligation, due to a lack of interdependence between performance obligations, promises that are not distinct are combined with other promised goods or services in the contract, until a performance obligation is satisfied. Revenue in respect of this bundled performance obligation is recognised over the period of the contracted obligation on a straight-line basis.

Amounts recoverable on contracts and deferred income

In most cases, customers are invoiced and payment is received in advance of revenue being recognised in the income statement. Amounts recoverable on contracts and deferred income is the difference between amounts invoiced to customers and revenue recognised under the policy described above. If the amount of revenue recognised exceeds the amounts invoiced the excess amount is included within amounts recoverable on contracts.

Contract costs

The incremental costs associated with obtaining a contract are recognised as an asset if the Company expects to recover the costs. Costs that are not incremental to a contract are expensed as incurred. Management determine which costs are incremental and meet the criteria for capitalisation.

Costs to fulfil a contract, which are not in the scope of another standard, are recognised separately as a contract fulfilment asset to the extent that they relate directly to a contract which can be specifically identified; the costs generate or enhance resources that will be used to satisfy the performance obligation and the costs are expected to be recovered. Management applies judgement to determine which contract fulfilment costs meet the recognition criteria, and in particular if the costs generate or enhance resources used to satisfy the performance obligation.

Costs to fulfil a contract which do not meet the criteria above are expensed as incurred.

Contract fulfilment asset

Contract fulfilment assets are amortised over the expected contract period on a systematic basis representing the pattern in which control of the associated service is transferred to the customer.

Practical exemptions

The Company has taken advantage of the following practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less;
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less; and
- to not disclose information relating to performance obligations for contracts that had an original expected duration of one year or less or where the right to consideration from a customer is an amount that corresponds directly with the value of the completed performance obligations.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Interest receivable and similar income

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. Finance income includes exchange gains (including exchange gains on the translation of intra-group funding balances).

Interest payable and similar charges

Net finance costs include interest payable, arrangement and service fees, exchange losses (including exchange losses on the translation of inter-company funding balances), unwinding discount from future deferred consideration payments, finance charges on leases and net interest on pension scheme liabilities. Interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Financial Instruments

The Company has adopted IFRS 9 Financial Instruments. IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument and requires entities to recognise expected credit losses for all financial assets held at amortised cost, including most intercompany loans from the perspective of the lender.

Operating profit and loss before interest receivable and payable

Operating profit and loss before interest receivable and payable is profit and losses arising from the Company's normal trading activities, after charges for depreciation of tangible and right of use assets and amortisation of intangibles.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Intangible assets

Internally generated intangible assets

Expenditure on research activities is recognised in the statement of comprehensive income as incurred.

Expenditure arising from the Company's development of software for sale to third parties is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Company has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Capitalised development costs are those which are directly attributable to the development activity and include employee costs, overheads and direct third party costs.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the period in which it is incurred.

Internally-generated intangible assets are amortised, once the product is available for use, on a straight-line basis over their useful lives (five to eight years).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Tangible fixed assets

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation and provision for impairments.

Depreciation is provided on all assets so as to write off the cost less estimated residual value on a straight line basis as follows:

Leasehold improvements - over the life of the lease

Office equipment, fixtures and fittings - Straight line over 3-4 years

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

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

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES – continued

Leases

The Company as a Lessee

All leases are accounted for by recognising a right of use asset and a lease liability except for:

Leases of low value assets; and
Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right of use asset being adjusted by the same amount

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right of use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right of use asset is adjusted by the same amount.

In determining the lease term, the Company assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events or changes in circumstances occur that are within the lessee's control.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The Company applies judgement in determining whether individual leases can be accounted for as a portfolio. The judgements include an assessment of whether the leases share similar characteristics and whether the financial statements would be materially different if each lease was accounted for individually.

Where rental agreements include market rate escalations, the lease liability is re-measured when the change in cash payments takes effect.

As explained previously, the Company has changed its accounting policy for leases where the Company is the lessee. The impact of the change is explained above. Prior to this change, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the Company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

Financial instruments

Financial assets

The Company classifies its financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost, less provision for impairment.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Trade debtors

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets, if not, they are presented as non-current assets.

Trade and other receivables are measured at the transaction price in accordance with IFRS 15.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 5 years before 31 December 2019 (2018: 31 December 2018) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The contract assets relate to unbilled revenue, which have performance obligations to be completed. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

At each reporting date management assesses whether any events have occurred which have had a detrimental effect on the estimated future cash flows of the asset causing a financial asset to become credit-impaired. If the credit risk is significant a provision is posted based on the recoverable amount the Company is expected to receive per management's assessment. Specific provisions of this nature are excluded from the simplified credit loss calculation using the provision matrix.

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES – continued****Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and cash deposits which are readily convertible to a known amount of cash. Cash and cash equivalents in the statement of financial position include bank overdrafts. An offset position is reported as the Company has a legal right to set off and any settlement would be on a net basis. For the purposes of the cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and are an integral part of Company cash management.

Intercompany receivables

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other payables

Trade and other payables are not interest bearing and are initially recognised at fair value and subsequently at amortised cost.

Ordinary share capital

For ordinary share capital, the par value is recognised in share capital and the premium in the share premium reserve.

Stocks

Inventory is stated at the lower of cost and net realisable value. The cost of work in progress comprises direct labour and other direct costs and includes billable employee expenses.

Provision is made where necessary for obsolete and slow moving inventory.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Taxation

Taxation expense includes the amount of current income tax payable and the charge for the year in respect of deferred taxation.

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another year. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Income tax credits for research and development activities are recognised on a cash basis or when their receipt is reasonably certain.

Deferred tax is accounted for on the basis of temporary differences arising from the differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all taxable temporary differences, except to the extent where it arises from the initial recognition of an asset or liability in a transaction that is not a business combination. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

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

Retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Defined contribution schemes

A defined contribution scheme is a pension plan under which the Company pays a fixed contribution to a scheme with an external provider. The amount charged to the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the total of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either other payables or other receivables in the statement of financial position. The Company has no further payment obligations once the contributions have been paid.

Perceptive Instruments Limited**Notes to the Financial Statements - continued**
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES – continued****Share-based payment transactions**

Instem plc issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair values are measured by use of the Binomial, Monte Carlo or Black Scholes models. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date. Market vesting conditions are linked to the Group's share price performance. Non-market vesting conditions are linked to trading performance and service over defined time periods.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled or settled. Where the terms of the options are modified and the modification increases the fair value or number of equity instruments granted, measured immediately before and after the modification, the incremental fair value is spread over the remaining vesting period.

Options over Instem plc shares granted to employees of subsidiaries are recognised by the Company as a capital contribution.

Comparatives

A material prior year error was discovered in respect of provisions made against certain intercompany balances when adopting IFRS 9, Financial instruments for the first time during the year ended 31 December 2018.

The process followed in the year ended 31 December 2018, required all intercompany balances to be repaid using the available liquid assets as of 31 December 2018. A new internal process for the assessment of intercompany balances was developed during the year ended 31 December 2019. For those intercompany balances where credit risk increased significantly, a recognised lifetime credit loss along with the gross interest income was calculated. In the amended process, group companies are provided with the opportunity to continue trading or sell assets to fund repayment of any inter-company loans over the forecasted period.

Applying the new internal processes on the intercompany receivable balances has resulted in a material reduction in the intercompany provision for doubtful debts made in the year ended 31 December 2018.

To ensure that FY2018 Intercompany balances comply with IFRS9, an adjustment is deemed necessary. The adjustment in the 2018 financial statements will retrospectively affect prior periods as the first year of IFRS9 adoption was applied retrospectively. Adjustments have been made to the 1 January 2018 Retaining Earnings figure and the 2018 Income Statement as set out below.

Comparative figures have been adjusted to conform with changes in the presentation for the current year. Details of the prior year adjustment is disclosed in note 9.

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES - continued****Significant judgements and estimates**

In the process of applying the Company's accounting policies, which are described above, management have made judgements and estimations about the future that have the most significant effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an on-going 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 revision and future periods if the revision affects both current and future periods.

Significant judgements

The following judgement has the most significant effect on the financial statements.

Revenue Recognition

The Company generates revenue from the provision of software licences, annual support, SaaS subscriptions, professional services and technology enabled outsourced services. Judgement is applied in determining how many performance obligations there are within each contract and the period in which these obligations will be fulfilled and recognised as revenue, based on the Company's accounting policies.

Estimation uncertainty

Information about estimations and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Leases - Incremental borrowing rate

Management have concluded that the interest rate implicit in the leases cannot not be readily determined therefore the leases held have been discounted by the incremental borrowing rate (IBR), being the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain assets of a similar value to the right of use assets in a similar economic environment. To determine the IBR, management approached a number of banks and has used the lending rate and margin offered of 4.00%, being a lending rate of 0.75% (base rate at 31 December 2019) and margin of 3.25%. For longer leases of over 5 years management considers a discount rate of 5% to be a more accurate reflection.

3. REVENUE

The revenue and profit before taxation of the company is attributable and reported in one operating segment, Study Management.

An analysis of revenue by geographical market is given below:

	2019 £'000	2018 £'000
United Kingdom	107	127
Europe	277	339
United States of America	160	169
Rest of the World	34	63
	<u>578</u>	<u>698</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**4. EMPLOYEES AND DIRECTORS**

	2019 £'000	2018 £'000
Wages and salaries	175	229
Social security costs	20	29
Other pension costs	<u>18</u>	<u>22</u>
	<u>213</u>	<u>280</u>

The average number of employees during the year was as follows:

	2019	2018
Directors and administration	4	4
Sales and product development	<u>3</u>	<u>4</u>
	<u>7</u>	<u>8</u>

	2019 £'000	2018 £'000
Directors' remuneration	<u>-</u>	<u>-</u>

The directors of the Company are remunerated by other companies within the Instem group during the year ended 31 December 2019. There are no directors accruing pension benefits as at 31 December 2019 (2018: nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Foreign exchange gains	<u>-</u>	<u>56</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Foreign exchange losses	53	-
Right of use finance costs	<u>2</u>	<u>-</u>
	<u>55</u>	<u>-</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**7. PROFIT BEFORE TAXATION**

Profit before taxation is stated after charging:

	2019	2018 as restated
	£'000	£'000
Depreciation - owned assets (note 11)	5	5
Depreciation – right of use assets (note 11)	16	-
Internally generated software amortisation (note 10)	34	30
Operating lease rentals – land and buildings	<u>-</u>	<u>17</u>

Amounts payable to Grant Thornton UK LLP for 2019 and to RSM UK Audit LLP for 2018, in respect of both audit and non-audit services are paid by the ultimate parent company, Instem PLC and they are not recharged to the individual subsidiaries and hence they are not disclosed as part of the operating profit note.

8. TAXATION**Analysis of tax expense**

	2019	2018
	£'000	£'000
Current tax:		
Tax	3	-
Deferred tax	<u>14</u>	<u>21</u>
Total tax expense in income statement	<u>17</u>	<u>21</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**8. TAXATION - continued****Factors affecting the tax expense**

The tax assessed for the year is lower (2018 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before income tax	<u>273</u>	<u>289</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	52	55
Effects of:		
Expenses not allowable for tax purposes	(29)	(5)
Enhanced R&D tax relief	(25)	(47)
Group loss relief	(10)	(10)
Other temporary differences	<u>29</u>	<u>28</u>
Tax expense	<u>17</u>	<u>21</u>

The UK corporation tax is calculated at the prevailing rate of 19%. Foreign tax liabilities are calculated at the prevailing tax rates applying in the overseas tax jurisdictions.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would not have a material impact.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

9. PRIOR YEAR ADJUSTMENT

A material prior year error was discovered in respect of provisions made against certain intercompany balances when adopting IFRS 9, Financial instruments for the first time during the year ended 31 December 2018. A new internal process for the assessment of intercompany balances was developed during the year ended 31 December 2019. Applying the new internal processes on the intercompany receivable balances has resulted in a material reduction in the intercompany provision for doubtful debts made in the year ended 31 December 2018.

To ensure that FY2018 Intercompany balances comply with IFRS9, an adjustment is deemed necessary. The adjustment in the 2018 financial statements will retrospectively affect prior periods as the first year of IFRS9 adoption was applied retrospectively. Adjustments have been made to the 1 January 2018 Retaining Earnings figure and the 2018 Income Statement as set out below.

The table below reconciles the key line items in these financial statements to the information provided in the financial statements for the year ended 31 December 2018 for the IFRS 9, Financial Instrument adjustment.

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019

9. PRIOR YEAR ADJUSTMENT- continued

Income statement for 2018	As previously reported £000s	FY18 - IFRS 9 restatement £000s	As restated £000s
REVENUE	698	-	698
Staff costs	(280)	-	(280)
Depreciation and amortisation	(35)	-	(35)
Other operating expenses	(889)	739	(150)
OPERATING (LOSS)/PROFIT	(506)	739	233
Interest receivable and similar income	56	-	56
Interest payable and similar expenses	-	-	-
(LOSS)/PROFIT BEFORE TAXATION	(450)	739	289
Taxation	(21)	-	(21)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(471)	739	268

Statement of Financial Position as at 31 December 2018	As previously reported £000s	Opening retained earnings - IFRS 9 restatement £000s	FY18 - IFRS 9 restatement £000s	As restated £000s
Trade and other receivables, and current tax	672	1,486	739	2,897
Retained earnings	854	1,486	739	3,079

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019

10. INTANGIBLE FIXED ASSETS

	Internally generated software £'000
COST	
At 1 January 2019	251
Additions	<u>187</u>
At 31 December 2019	<u>438</u>
AMORTISATION	
At 1 January 2019	56
Amortisation for year	<u>34</u>
At 31 December 2019	<u>90</u>
NET BOOK VALUE	
At 31 December 2019	<u><u>348</u></u>
	Internally generated software £'000
COST	
At 1 January 2018 and 31 December 2018	<u>251</u>
AMORTISATION	
At 1 January 2018	26
Amortisation for year	<u>30</u>
At 31 December 2018	<u>56</u>
NET BOOK VALUE	
At 31 December 2018	<u><u>195</u></u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**11. TANGIBLE FIXED ASSETS**

	Freehold property £'000	Right of use assets £'000	Leasehold property improvement £'000
COST			
At 1 January 2019	14	-	2
Additions	-	54	-
	<u>14</u>	<u>54</u>	<u>2</u>
At 31 December 2019			
	<u>14</u>	<u>54</u>	<u>2</u>
DEPRECIATION			
At 1 January 2019	14	-	1
Charge for year	-	16	1
	<u>14</u>	<u>16</u>	<u>2</u>
At 31 December 2019			
	<u>14</u>	<u>16</u>	<u>2</u>
NET BOOK VALUE			
At 31 December 2019	<u>-</u>	<u>38</u>	<u>-</u>
	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2019	18	26	60
Additions	-	-	54
	<u>18</u>	<u>26</u>	<u>114</u>
At 31 December 2019			
	<u>18</u>	<u>26</u>	<u>114</u>
DEPRECIATION			
At 1 January 2019	14	23	52
Charge for year	2	2	21
	<u>16</u>	<u>25</u>	<u>73</u>
At 31 December 2019			
	<u>16</u>	<u>25</u>	<u>73</u>
NET BOOK VALUE			
At 31 December 2019	<u>2</u>	<u>1</u>	<u>41</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**11. TANGIBLE FIXED ASSETS - continued**

	Freehold property £'000	Leasehold property improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2018 and 31 December 2018	<u>14</u>	<u>2</u>	<u>18</u>	<u>26</u>	<u>60</u>
DEPRECIATION					
At 1 January 2018	14	1	12	20	47
Charge for year	<u>-</u>	<u>-</u>	<u>2</u>	<u>3</u>	<u>5</u>
At 31 December 2018	<u>14</u>	<u>1</u>	<u>14</u>	<u>23</u>	<u>52</u>
NET BOOK VALUE					
At 31 December 2018	<u>-</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>8</u>

The net book value of tangible fixed assets at 31 December 2019, excluding the right of use assets, is £3,000 (2018: £8,000).

12. STOCKS

	2019 £'000	2018 £'000
Work-in-progress	<u>36</u>	<u>37</u>

13. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	2019 £'000	2018 as restated £'000
Trade debtors	87	126
Amounts owed by group undertakings	2,855	2,740
Amounts recoverable on contract	1	18
Tax	-	3
Prepayments and accrued income	<u>3</u>	<u>10</u>
	<u>2,946</u>	<u>2,897</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**13. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR - continued****Definition of default**

A loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Impairment of trade debtors

The probability of default is determined at the year-end based on the ageing of the receivables, historical data about default rates. That data is adjusted if the Group determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

Impairment of group receivables

The Company assesses the expected credit loss in respect of group receivables based on their ability to repay and recover the balance. In the absence of agreed terms this consideration is given over the expected period of repayment and any expected credit loss. The Company is required to calculate expected credit losses on all financial assets, including intercompany receivables within the scope of IFRS 9, 'Financial Instruments'. Intercompany positions eliminate in consolidated financial statements. At the period end an allowance has been made for credit impairment of group receivables of £215,000 (2018: restated £151,000).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	5	10
Right of use liability	16	-
Amounts owed to group undertakings	20	21
Social security and other taxes	2	7
Accrued expenses	<u>17</u>	<u>50</u>
	<u>60</u>	<u>88</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Right of use liability	<u>19</u>	<u>-</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**16. LEASING****Right-of-use assets**

	2019	2018
	£'000	£'000
COST		
Additions	<u>54</u>	<u>-</u>
DEPRECIATION		
Charge for year	<u>(16)</u>	<u>-</u>
NET BOOK VALUE	<u><u>38</u></u>	<u><u>-</u></u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**16. LEASING - continued**

Lease liabilities are presented in the statement of financial position as follows:

	2019 £'000	2018 £'000
Current	16	-
Non current	19	-

Nature of leasing activities in the capacity of lessee

The Company lease one office in the jurisdiction from which it operates. In these jurisdictions the periodic rent is fixed over the lease term, with inflationary increases incorporated into the fixed payments stipulated in the lease agreements. Where rental agreements include market rate escalations, the lease liability is re-measured when the change in cash payments takes effect. With the exception of short-term leases, leases of low value underlying assets, with less than twelve months remaining on the lease as at 31 December 2019, each lease is reflected on the balance sheet as a right of use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right of use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a termination fee. Some leases contain an option to extend the lease for a further term. For office leases the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Company's leasing activities by type of right of use asset recognised on the balance sheet:

Right of use assets	No of right of assets leased	Range of remaining term
Office buildings	1	2.5 years

The lease has an extension option with no option to purchase and no termination option.

The aggregate lease liability was recognised in the statement of financial position at 1 January 2019 as the IFRS 16 application was prospectively applied. As of 31 December 2018, the Company presented operating lease commitment which can be reconciled as follows:

	2019 £'000
Operating lease commitments as at 31 December 2018	58
Effect of discounting those lease payments	(7)
Recognition of variable lease payments	3
Aggregate lease liability at 1 January 2019	54
	Land & Buildings £'000
Right of use assets	
As at 1 January 2019	54
Amortisation	(16)
As at 31 December 2019	38

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**16. LEASING – continued**

Lease liability	Land & Buildings £'000
As at 1 January 2019	54
Interest expense	2
Lease payments	(21)
As at 31 December 2019	<u>35</u>

Lease liability maturity analysis

As at 31 December 2019	1 year or less £'000	2 to 5 years £'000	After 5 years £'000	Total £'000
Lease liabilities	<u>16</u>	<u>19</u>	<u>-</u>	<u>35</u>

The following amounts in respect of leases, where the company is a lessee, have been recognised in the consolidated statement of comprehensive income:

	2019 £'000
Expenses relating to short-term leases	-
Low value lease expense	-
Interest expense	2
Amortisation of right of use assets	<u>16</u>

The total cash outflow for leases in 2019 was £21,000.

17. PROVISIONS FOR LIABILITIES

The following is the deferred tax liability recognised by the Company and the movements thereon during the year:

Deferred tax liability	Other timing differences £'000
At 1 January 2019	45
Credit to profit for the year	<u>14</u>
At 31 December 2019	<u>59</u>

18. DEFERRED INCOME

	2019 £'000	2018 £'000
Deferred income	<u>109</u>	<u>149</u>

Perceptive Instruments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**19. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value £:	2019	2018
Number:	Class:		£	£
57	Ordinary Shares	£1	<u>57</u>	<u>57</u>

20. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £18,000 (2018: £22,000). Contributions totalling £nil (2018: £nil) were payable to the fund at the balance sheet date.

21. CONTINGENT LIABILITIES

The assets of the Company are used as security for the borrowings of Instem Life Science Systems Limited, a fellow subsidiary of Instem plc.

22. ULTIMATE CONTROLLING PARTY

The ultimate and immediate parent company is Instem plc, a company incorporated and registered in England and Wales.

Instem plc is the smallest and largest group in which the results of the Company are consolidated. The consolidated financial statements of this company may be obtained from Diamond Way, Stone Business Park, Stone, Staffordshire, ST15 0SD, UK or at www.instem.com.

23. SUBSEQUENT EVENTS

No adjusting events have occurred between the 31 December 2019 reporting date and the date of approval of these financial statements.

In January 2020 the Group informed its staff of its intention to implement an all-staff share and option scheme. The scheme has subsequently been formally launched with staff receiving the right to 386,686 ordinary shares of 10p each in Instem plc that will vest in April 2023.

On 13th February 2020 it was announced that a member of the senior management team had exercised share options over 50,714 ordinary shares of 10p each in the Instem plc.

In April and May 2020, the Group received US government support loan of \$1.1m (£0.8m). The Group have applied for these sums to be forgiven and based on meeting all the qualifying criteria, expect to receive a favourable outcome.

Following the announcement of the Group's 2019 preliminary results Instem plc undertook an equity fund raise in July 2020. This was a success as it was oversubscribed, raising gross funds of £15.75m, £15.0m net of expenses. A further six prestigious institutions were added to the list of shareholders.

Perceptive Instruments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

23. SUBSEQUENT EVENTS - continued

Like most businesses worldwide the Group dealt with the impact of COVID-19 in 2020, with its primary concern being for the safety and wellbeing of its staff and their families. The risk to the Group, as for any business, is that the COVID-19 pandemic impacts new and existing business activities as clients and suppliers focus on short term priorities arising from pandemic or struggle to remain in business.

The Group remains well placed and has seen minimal impact from COVID-19, with working from home practices implemented and the majority of business relatively unaffected. There was a small shortfall in Professional Services revenue compared with budget due to travel restrictions preventing on-site service delivery plus Academia was closed for part of the year. It is expected that a small element of revenue slippage will move into 2021 as we fulfil our strong services backlog.

On 1 March 2021, Instem plc announced the acquisition of The Edge Software Consultancy Ltd ("The Edge"), a safety assessment software provider based in the UK. The Edge is focused on improving the efficiency of early stage drug R&D, improving productivity and ensuring high-quality data capture. In the year ended 31 July 2020, The Edge had unaudited, normalised profits before tax of £1.7m on sales of £2.7m, of which £0.8m was recurring revenue. Its 2020 sales benefitted from high levels of professional services revenue, expected to be replaced by significant future growth in recurring software revenue. The consideration payable is up to £8.5m, payable as £6.0m initially, satisfied by £4.0m in cash from existing reserves and £2.0m via the issuance of 391,920 new ordinary shares in Instem plc, £0.5m of deferred consideration and up to a further £2.0m payable contingent on The Edge's future trading performance, both amounts payable in cash.

On 20 March 2021, Instem plc exchanged contracts to acquire US-based clinical trial technology & consulting leader d-Wise Technologies, Inc ("d-wise"). The acquisition was completed on 1 April 2021. d-wise adds a market leading position to the Group in an attractive adjacent area of clinical trial analysis and submission, with good future visibility through recurring revenue streams and already contracted, high value consultancy projects. In the year ended 31 December 2020 d-wise had unaudited adjusted profit before tax of \$3.1m and adjusted EBITDA of \$3.6m on sales of \$24.1m. Approximately 30% of revenue was recurring SaaS, hosting services and software support and maintenance. As at 31 December 2020, d-wise had net assets of \$4.8m. The combined strength of Instem & d-wise positions the enlarged Group as the foremost authority and driving force in generating, analysing and leveraging data from Discovery through late-stage Clinical Trials. The total consideration is up to \$31m comprising \$20m on completion, \$8m of deferred consideration and up to a further \$3m which is payable contingent upon the future financial performance of d-wise. The initial consideration on completion is being satisfied by \$13m in cash and \$7m via the issuance of 868,203 new ordinary shares of 10p each in Instem plc. The cash is being funded from the Group's existing financial resources.

On 15 April 2021, the Group has successfully been forgiven for one out of the two US government support loans. It is also expected to receive a favourable outcome for the remaining balance as all the qualifying criteria have been met.