

Electrophoretics Limited

Report and financial statements

Year ended

31 December 2021

Company Number 02776424

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Electrophoretics Limited

Report and financial statements for the year ended 31 December 2021

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Directors

C D J Pearce
Dr I H Pike
R Dennis

Secretary and registered office

V Birse
Coveham House
Downside Bridge Road
Cobham
Surrey
KT11 3EP

Company number

02776424

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Electrophoretics Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report on the affairs of the Company, together with the financial statements and Independent Auditor's report for the year ended 31st December 2021.

Business review and principal activities

The Company is a wholly owned subsidiary of Proteome Sciences plc and carries out sales activity and the research and development activities for that group.

The principal activity of the Company is protein biomarker research and development. As a leader in applied proteomics we use high sensitivity proprietary techniques to detect and characterise differentially expressed proteins in diseases for diagnostic, prognostic and therapeutic applications. We provide integrated proteomic services for biomarker discovery, validation and assay development for use in clinical trials and in vitro diagnostics. Key features include proprietary isobaric tandem mass tag (TMT®) technology for accurate and reliable biomarker quantification and the ability to rapidly develop highly reproducible quantitative biomarker assays.

The main focus of research is neurodegenerative and oncological conditions. Blood biomarkers in Alzheimer's disease, stroke, brain damage and solid organ transplant rejection have been discovered.

The results for the year are in accordance with the directors' expectations. The profit after taxation for the year was £0.13m (2020: £0.34m). Compared to the previous year, revenues increased by 9% to £5.12m (2020: £4.71m). This is comprised of two revenue streams: TMT®-related revenue and Proteomic (Biomarker) Services. Biomarker service sales increased by 31% to £1.89m, while sales and royalties for TMT® tags remained stable at £3.23m (2020 £3.27m). Operating profit increased to £0.36m (2020: £0.47m).

There have been no significant changes in the Company's principal activities in the year under review, nor are the directors aware, at the date of this report, of any major likely changes in the Company's activities in the next year.

Going concern

These financial statements have been prepared on the going concern basis. The directors have reviewed the Company's going concern position, taking account of the Company's year-end positive cash position of £1.8m and a year on year growth in revenues. The directors have considered the performance against budget and taken into account other factors likely to affect its future development, objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks. This includes financial and cash flow forecasts, cost reduction and other improvement initiatives. The directors intend that the Company will continue to pursue its services strategy and focus its operational plans on the importance of achieving sustained positive cash flow generation. Further the directors' have considered the potential ongoing impacts of COVID-19, the Ukraine-Russia conflict and the increase in inflation rate and related cost pressure, and concluded that there were no negative material effects on the Company revenues or cash flows.

The Company is reliant on the provision of funding through the Group and has significant intercompany borrowings which are repayable on demand. Proteome Sciences plc ("the Parent Company") has confirmed, via a legally binding written confirmation, it will not call in amounts owed to it and will continue to provide such financial support as the Company requires to enable it to meet its financial obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. Further, the directors have received legally binding written confirmation from the related party lender to the Company that he has no intention of seeking its repayment, with the facility continuing to be made available on the existing terms until at least the 30 June 2023.

Based upon the above, the directors have reasonable expectation that the Company has the ability to continue in operation and meet its liabilities as they fall due for the foreseeable future being at least 12 months from the date of signing of these financial statements and consider it appropriate to adopt a going concern basis of preparation.

Electrophoretics Limited

Directors' report for the year ended 31 December 2021 (continued)

Post balance sheet events

There have been no significant events which have occurred subsequent to the reporting date.

Results and dividends

The profit after tax for the current year was £0.13m (2020: £0.34m) as shown on page 7. The directors do not recommend the payment of a dividend (2020: £Nil).

Directors and their interests

The directors who served during the year and to the date of signing are shown below:

C D J Pearce
Dr I H Pike
R Dennis (appointed 20 October 2021)

The directors of the Company are also directors of the Parent Company, Proteome Sciences plc, and their interests in the shares of the Parent Company are disclosed in the accounts of that Company.

No director had any interest in the Company which requires disclosure under the Companies Act 2006.

Liability Insurance for Company officers

As permitted by the Companies Act 2006, the Company has purchased insurance cover for the directors against liabilities that might arise in relation to the Company.

Auditor

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

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- Each of the directors has taken all steps that he ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information.

In preparing this Directors' Report, advantage has been taken of the small companies' exemptions from the Companies Act 2006 Directors Report requirements.

On behalf of the Board



Dr I H Pike
Director

31 May 2022

Electrophoretics Limited

Directors' responsibilities statement for the year ended 31 December 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Electrophoretics Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTROPHORETICS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

We have audited the financial statements of Electrophoretics Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and the 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' 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 financial statements are 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. 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 course of 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 this gives

Electrophoretics Limited

Independent auditor's report

rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

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 in relation to which 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' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Electrophoretics Limited

Independent auditor's report

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and relevant tax compliance legislation.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and through reviewing legal correspondence. We corroborated our enquiries through our review of board minutes and discussion with management.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud.
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls;
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates which are subject to management's judgement and estimation, and could be subject to potential bias; and
- With regards to the risk of fraud in revenue recognition, our procedures included assessing whether the revenue recognition policies adopted by the Company comply with accounting standards. We tested each revenue stream including sample testing of sales transactions in year to supporting evidence such as agreements and royalty statements, evidence of delivery of the performance obligation and cash receipt from the customer. We checked a sample of revenue transaction amounts recognised in December 2021, January 2022, and February 2022 against the date the performance obligation was satisfied to check that revenue was recorded in the correct period.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

BDO LLP

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Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
1 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Electrophoretics Limited

Statement of comprehensive income for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue			
Licences, Sales and Services	4	5,124	4,712
Cost of sales		(2,169)	(2,168)
Gross profit		2,955	2,544
Administrative expenses		(2,596)	(2,076)
Operating profit	6	359	468
Interest payable and similar charges	5	(215)	(219)
Profit on ordinary activities before taxation	6	144	249
Tax (charge)/credit	9	(17)	92
Profit on ordinary activities after taxation		127	341

All activities in the current and prior year relate to continuing operations. There is no other comprehensive income in the current or prior year.

The notes on pages 10 to 24 form part of these financial statements

Electrophoretics Limited

Company Number 02776424

Balance sheet at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Tangible assets		1	-
Investments	10	1,098	1,098
Total non-current assets		1,099	1,098
Current assets			
Inventories	11	1,088	878
Trade and other receivables	12	925	1,022
Contract assets	12	479	457
Cash		1,801	1,598
Total current assets		4,293	3,955
Trade and other payables	13	(63,656)	(64,104)
Contract liabilities	13	(35)	(153)
Borrowings	13	(8,365)	(8,150)
Total current liabilities		(72,056)	(72,407)
Net current liabilities		(67,763)	(68,452)
Total assets less current liabilities		(66,664)	(67,354)
Net liabilities		(66,664)	(67,354)
Capital and reserves			
Called-up share capital	14	-	-
Accumulated Losses	14	(66,664)	(67,354)
Equity shareholders' deficit		(66,664)	(67,354)

The company's 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 31 May 2022.



Dr I H Pike
Director

The notes on pages 10 to 24 form part of these financial statements

Electrophoretics Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £'000	Accumulated losses £'000	Total £'000
At 1 January 2020	-	(67,704)	(67,704)
Profit for the year	-	341	341
Total comprehensive income for the year	-	341	341
Capital contribution from parent company in respect of share based payments	-	8	8
At 31 December 2020	-	(67,354)	(67,354)
At 1 January 2021	-	(67,354)	(67,354)
Profit for the year	-	127	127
Total comprehensive income for the year			
Capital contribution from parent company in respect of share based payments	-	564	564
At 31 December 2021	-	(66,664)	(66,664)

The notes on pages 10 to 24 form part of these financial statements

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021

1 Principal activity

Electrophoretics Limited is a private Company, limited by shares, incorporated in England and Wales under the Companies Act. The principal activity of Proteome Sciences plc Group, of which Electrophoretics Limited is a part, is research and development, primarily in the field of proteomics, both through its own research and through collaborative agreements with a number of prestigious academic institutions.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 *Reduced Disclosure Framework*. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in round thousands (£'000).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by UK endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a strategic report;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Proteome Sciences plc (the Company's parent).
- The maturity analysis of lease liabilities, as required by paragraph 58 of IFRS 16 Leases, has not been disclosed, as the company does not have any leases which meet the criteria of IFRS 16.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Proteome Sciences plc. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial Instruments, as required by IFRS 7 Financial Instruments: Disclosures; and
- Impairment of assets.

The financial statements of Proteome Sciences plc can be obtained as described in Note 17.

New standards, amendments and IFRIC interpretations

Electrophoretics Limited has applied the same accounting policies and methods of computation in its financial statements as in its 2020 financial statements. No new or revised standards were adopted for the period commencing 1 January 2021.

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

2 Accounting policies (*continued*)

Going concern

These financial statements have been prepared on the going concern basis. The directors have reviewed the Company's going concern position, taking account of the company's year-end positive cash position of £1.8m and a year on year growth in revenues. The directors have considered the performance against budget and taken into account other factors likely to affect its future development, objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks. This includes cash flow and financial forecasts, cost reduction and other improvement initiatives. The directors intend that the Company will continue to pursue its services strategy and focus its operational plans on the importance of achieving sustained positive cash flow generation.

The directors base their management assessment of the going concern assumption on an ongoing growth of TMT® and service sales in 2022. Further the Company will maintain tight cost control measures with a limited head count growth and sales and administration costs budgeted similar to 2021. Additionally the Company will only undertake investment spending in line with budget and do not intend to overspend or to pull investment forwards. Sales, costs and investment spending are constantly reviewed by the directors and the Company reacts immediately to any changes in sales and costs either through increased sales efforts or by reducing or delaying any capital outflows.

As the Company is reliant on the provision of funding through the Group the Parent Company has confirmed via a legally binding written confirmation it will not call in amounts owed to it and will continue to provide such financial support as the Company requires to enable it to meet its financial obligations as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial support that is provided by the Parent Company through the form of intercompany borrowings is shown in Note 13 to the financial statements.

The Company remains reliant not only on its Parent's support but on the Group, of which the Company is a subsidiary, maintaining sufficient working capital and achieving an adequate level of sales to support its activities.

Following a detailed review of forecasts, budgets, sales order book and with the knowledge of how the Group has traded in the first year post the global pandemic, the directors have a reasonable expectation the Group as a whole, has adequate financial and other resources to continue in operational existence for the period of at least twelve months from approval of these financial statements and provide the needed support for the Company.

The Group and Company is also dependent on the unsecured loan facility provided by a director of the Company and the Chairman of the Group, which under the terms of the facility, is repayable on demand. The Company has received a legally binding written confirmation from the Chairman that he has no intention of seeking its repayment, with the facility continuing to be made available on the existing terms until at least the 30 June 2023. The Parent Company is also dependent on the unsecured loan facility provided by Vulpes Investment Management (VIM) whose term expires on the 30 June 2023.

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

Going concern (continued)

Based upon the above, the directors did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Company's ability to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of these signing of the financial statements.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Exemption from preparation of consolidated financial statements

The financial statements contain information about Electrophoretics Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated accounts of a larger group (Proteome Sciences plc).

Revenue recognition

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

The majority of the Company's revenue is derived from selling TMT® products, end customer sales based royalties which are paid on a quarterly retrospective basis, milestone payments for development work and revenue milestone payments.

TMT® product sales

TMT® revenues are recognised at the point at which the customer obtains control of the asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. In relation to TMT® product sales this occurs at the point that the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, revenue can be reliably measured and its probable that the economic benefits will flow to the Company. The standard payment terms for TMT® product invoices are 45 days from receipt.

TMT® royalties

Royalty revenues are recognised on a quarterly basis at the end of each quarter retrospectively as soon as the calculation of the royalty amount is available. Royalties are earned when other parties generate sales that use the group's TMT® IP. This variable revenue is subject to the sales/usage restriction in IFRS 15 and, as such, it is only recognised when that underlying sale of the third party product is made. The price is a fixed percentage of the underlying sale and payment is due on a quarterly basis, based on the sales made in that quarter. Royalty payments are received the month following the quarter end.

TMT® revenue milestones

Milestone revenues are due on cumulative sales-related revenues. The milestone revenue is recognised at a point in time when the revenue milestone has been achieved. This is because the milestone revenue is deemed variable consideration and is constrained due to factors outside the Company's influence. There is uncertainty as regards the variable consideration amount.

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

Revenue recognition (continued)

Biomarker services

Proteomics (biomarker) services represent a third revenue stream for the Group, with revenue recognised typically on an over time basis. Performance obligations are described for larger service orders in the form of work packages, which identify individual deliverable services, and each represent a value on its own to the customer. The nature of the Group's work is that our biomarker contracts create an asset with no alternative use and contracts are worded in such a way that the Group has an enforceable right to be paid for the performance completed to date including an appropriate profit margin. Revenue is recognised over time as the biomarker services are performed. On partially complete biomarker projects, the Group recognises revenue based on stage of completion of the project which is estimated by reviewing the individual deliverable services stipulated in the work package. The stage of completion is estimated based on costs to dates over total expected costs. This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of individual work packages and therefore represent the amount to which the Group would be entitled based on its performance to date.

Determining the transaction prices and allocation of amounts to performance obligations

Most of the company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

For TMT® products sold there is a fixed unit price, which is applied. For the royalties a percentage charge per product unit sold is fixed and used as the transaction price. Transaction prices for biomarker services and grant services are determined on the basis of contractual agreements within the purchase order / contract with fixed prices stipulated in advance.

For biomarker services revenues the Company does not use any discount or bonus schemes. Revenue is allocated at the transaction price specified in the contract for the individual work orders representing a distinct performance obligation.

The company does not operate a returns or refunds policy due to the bespoke nature of its products and services.

Investments

Fixed asset investments are shown at cost less provision for any impairment.

Taxation

The Company is entitled to make claims for UK tax credit income on qualifying R&D expenditure each year under the Corporation and Taxes Act 2009. As an SME qualifying entity, tax credits are claimed at the rate of 230% of the tax effect of tax losses generated from qualifying R&D expenditure. Tax credits income is recognised on a cash basis through profit and loss within taxation benefit/expense when received from the UK Tax Authorities. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

2 Accounting policies (*continued*)

Research and development tax credit

The Company may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g., R&D tax credits). The Company accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Company and that benefit can be reliably measured. R&D tax credits are measured on a cash basis due to the uncertainty over the amount and timing of receipt. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable.

Pension costs

The Company operates defined contribution pension schemes for its employees. The amounts charged to the profit and loss account are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. They are included as part of staff costs.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss through profit and loss.

Patents

Patents are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives if they meet the measurement and recognition criteria of IAS 38 *Intangible Assets*. Otherwise patent costs are written off in the year of expenditure.

Research and development expenditure and patent costs

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure, where it meets certain criteria (given below), is capitalised and amortised on

a straight-line basis over its useful life. Asset lives are subject to regular review and an impairment exercise carried out at least once a year. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

An asset is recognised only if all of the following conditions are met:

- the product is technically feasible and marketable;
- the Company has adequate resources to complete the development of the product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021 *(continued)*

2 Accounting policies *(continued)*

Research and development expenditure and patent costs (continued)

The directors do not consider that any R&D intangible assets have been created in 2021 or the prior year, on the basis that it is uncertain whether the intangible asset will generate future revenue cash flows.

Share based payments

Where employees participate in equity settled share-based compensation schemes operated by the Parent Company, Proteome Sciences plc, the equity-settled share-based payments issued by the Parent Company are recognised as a cost to the Company with a corresponding increase in equity for a capital contribution by the Parent company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and are adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Provisions

Provisions are recognised when the Company has a present obligation as a result of the past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes material, direct labour and an attributable proportion of overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial Instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are a reasonable estimate of their fair values.

Financial assets

The Company's financial assets are comprised of trade receivables, other receivables and cash. Other receivables are measured initially at fair value and subsequently at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Electrophoretics Limited

Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

2 Accounting policies (*continued*)

Trade and other receivables (continued)

The company applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. During this process the probability of non-payment of the trade receivable is assessed and multiplied by expected amount of credit loss resulting from credit default. The Company has set up a matrix using the time a debtor is overdue as a criteria to determine the default probability using 5 categories ranging from 0% to 90% probability. Provisions are recorded in a separate provision account and the movements in the ECL provision are recognised in profit or loss. On notice of a realised default the gross carrying amount of the asset is written off against the provision.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

The Company has no financial liabilities at fair value through profit or loss. The Company's financial liabilities comprise of trade and other payables, amounts owed to group companies and borrowings from related parties.

Financial liabilities are measured initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

3 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The directors are of the view there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements are impairment of investments, revenue recognition, recoverability of contract assets, share based payments and going concern.

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

4 Revenue from contracts with customers

Disaggregation of Revenue

Year to 31 December 2021	Biomarker services £'000	TMT® Sales £'000	TMT® Royalties £'000	Total £'000
Primary Geographic Markets				
US	987	1,745	1,483	4,215
UK	189	-	-	189
EU	517	-	-	517
Other	203	-	-	203
	1,896	1,745	1,483	5,124
Revenue recognised at a point in time	-	1,745	1,483	3,228
Revenue recognised over a period	1,896	-	-	1,896
	1,896	1,745	1,483	5,124
Year to 31 December 2020	Biomarker services £'000	TMT® Sales £'000	TMT® Royalties £'000	Total £'000
Primary Geographic Markets				
US	810	2,066	1,202	4,078
UK	62	-	-	62
EU	572	-	-	572
	1,444	2,066	1,202	4,712
Revenue recognised at a point in time	-	2,066	1,202	3,268
Revenue recognised over a period	1,444	-	-	1,444
	1,444	2,066	1,202	4,712

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

4 Revenue from contracts with customers (continued)

Contract Balances

	Note	Contract Assets 2021 £'000	Contract Assets 2020 £'000	Contract Liabilities 2021 £'000	Contact liabilities 2020 £'000
At 1 January		457	1,331	(153)	(26)
Transfer in the period from contract assets to trade receivables		(457)	(1,331)	-	-
Amounts included in contract liabilities that were recognised as revenue during the period		-	-	153	26
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	13	479	457	-	-
Cash Received in advance of performance and not recognised as revenue during the period	14	-	-	(35)	(153)
		479	457	(35)	(153)

Contract assets and contract liabilities arise from the Company's biomarker services where contracts may not be completed at the year end and because payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. The Company expects to recognise this contract liability in 2022.

Remaining performance obligations

The vast majority of the Company's contracts are for the delivery of goods within the next 12 months for which the practical expedient of IFRS 15 applies.

5 Interest payable and similar charges

	2021 £'000	2020 £'000
Interest on related party loans	215	219

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

6 Profit on ordinary activities before taxation

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation is stated after charging /(crediting):		
Inventories recognised as an expense	344	550
Rentals under operating leases - land and buildings*	34	62
Research and development	200	112

Fees payable to the Company's auditor for the audit of the Company's
annual accounts

25 17

*This lease is exempted from IFRS16 as set out in Note 2

Fees payable to BDO, the Company's auditor and their associates for non-audit services to the Company for
the year were as follows:

	2021 £'000	2020 £'000
Tax services	4	3
Total non-audit fees	4	3

7 Staff costs

Details of the Directors' remuneration are set out in Note 8. Employment costs of all employees including
Executive Directors amounted to:

	2021 £'000	2020 £'000
Wages and salaries	609	622
Social security costs	76	71
Other pension cost	35	38
Share based payments	564	8
	1,284	739

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

	Number	Number
Research and development	1	1
Administration	3	3
	4	4

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

8 Directors' remuneration

Directors' remuneration was paid in respect of Directors of the Company as follows:

	2021 £'000	2020 £'000
Emoluments	314	239
Company contributions to money purchase pension schemes	19	16
	333	255

Particulars of the highest paid Director's remuneration are as follows:

Emoluments	211	184
Company contributions to money purchase pension schemes	15	16
	226	200

In addition to the amounts set out above consultancy fees of £280,000 (2020: £331,927) were accrued for one director.

The number of Directors in pension schemes is as follows:

	Number	Number
Money purchase schemes	2	1

9 Taxation

	2021 £'000	2020 £'000
Overseas tax charge	(15)	(48)
R&D	(2)	140
Tax (charge)/credit	(17)	92

The Company is entitled to make claims for UK tax credit income on qualifying R&D expenditure each year under the Corporation and Taxes Act 2009. As an SME qualifying entity, tax credits can be reclaimed in respect of the tax effect of tax losses generated from qualifying R&D expenditure.

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

9 Taxation (continued)

Factors affecting the tax credit for the period

The tax credit for the period is lower than the standard rate of corporation tax in the UK. The differences are:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	144	249
Income tax /(credit) calculated at 19.0 % (2020: 19.0%)	27	47
Effects of:		
Effect of overseas tax	(15)	(48)
Other taxes	(2)	-
Utilisation of tax losses brought forward	(27)	(47)
R&D tax received	-	140
Tax credit for the year	(17)	92

As at 31 December 2021, there were tax losses available for carry forward of approximately £44.8m (2020: £45.7m). No deferred tax assets have been recognised on these losses, as the directors are uncertain of their recoverability. The assets will be recoverable if the Company makes sufficient taxable profits in future against which these losses can be utilised. The unrecognised deferred tax assets in relation to these tax losses were £11.19m at the reporting date (2020: £7.77m).

10 Fixed asset investments

	£'000
Cost of shares in subsidiary undertakings At 1 January 2021 and 31 December 2021	11,216
Provision for impairment At 1 January 2021 and 31 December 2021	(10,118)
Net book value At 1 January 2021 and 31 December 2021	1,098

Subsidiary undertakings

Name	Country of incorporation and operation	Principal activity	Description and proportion of shares held by the Company
Proteome Sciences R&D Verwaltungs GmbH	Germany	Administrative company	100% Share capital
Proteome Sciences R&D GmbH & Co. KG	Germany	Research company	100% Partnership interest

The registered address for the above entities is Altenhöferallee 3, 60438 Frankfurt am Main, Germany

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

11 Inventories

	2021 £'000	2020 £'000
Work in progress	368	161
Finished goods	720	717
	1,088	878

12 Debtors: amounts falling in one year

	2021 £'000	2020 £'000
Trade receivables	465	685
ECL Provision on trade receivables	(25)	(13)
Trade receivables net	440	672
VAT recoverable	(1)	16
Other debtors	75	27
Amount owed by fellow group undertaking	411	307
	925	1,022
Contract assets	479	457

12 Debtors: amounts falling in one year (continued)

All amounts that fall due within one year are presented within current assets as required by the Companies Act. The amounts owed by fellow group undertakings are not bearing interest and do not have a fixed repayment term.

13 Creditors

Amounts falling due within one year	2021 £'000	2020 £'000
Other creditors	290	339
Amounts owed to fellow group undertakings	63,181	63,542
Social security and PAYE	27	20
Accruals and deferred income	158	203
Trade and other payables	63,656	64,104
Contract liabilities	35	153
Short term borrowings - loan from related party	8,365	8,150
	72,056	72,407

Electrophoretics Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (*continued*)

13 Creditors (continued)

Short term borrowings

Note:

- (i) The loan from related party represents a loan from Mr C D J Pearce, a director of the Company and the non-executive director and the former Chief Executive of the Parent Company. The loan is secured by a fixed charge over the Company's patent portfolio and a floating charge over the Company's stock in trade. The loan bears interest at 2.5% above the base rate of Barclays Bank plc. Loan amounts representing £5m may be converted into ordinary share capital of Proteome Sciences plc, at the option of Mr Pearce at the lower of market price on the date of conversion or the average price over the lowest consecutive ten day trading period since 29 June 2006. Electrophoretics Ltd, has assumed all obligations for the loan. The Parent Company has also guaranteed the payment obligations for the loan. The Parent Company has received a legally binding written confirmation from Mr Pearce that he will not seek repayment until at least 30 June 2023.
- (ii) The loan is repayable on seven days' notice, or immediately in the event of:
 - (a) C.D.J. Pearce ceasing to be a director of the Parent Company.
 - (b) A general offer to the shareholders of the Parent Company being announced to acquire its issued share capital.
 - (c) The occurrence of any of the usual events of default attaching to this sort of agreement.
- (iii) The amounts shown above as outstanding under short term borrowings include accrued interest.

Amounts owed to Group undertaking

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

14 Share capital

	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

Accumulated losses are losses arising from operational business, financing and tax charges and includes capital contributions from the Parent Company in respect of share-based payments.

15 Financial commitments

a) Pension commitments

At 31 December 2021 the amount of outstanding contributions payable to the Company pension scheme was £Nil (2020: £Nil).

b) The amount charged to pension costs during the year was £35,458 (2020: £38,682).

Electrophoretics Limited

**Notes forming part of the financial statements
for the year ended 31 December 2021 (*continued*)**

16 Ultimate holding company

The Company's immediate and ultimate parent undertaking is Proteome Sciences plc, a Company incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is Proteome Sciences plc, and the group accounts may be obtained from Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP

17 Related party transactions

The Company has taken advantage of the exemption from disclosure of related party transactions to wholly owned subsidiaries of companies with publicly available accounts. Details of a loan facility made available by C.D.J. Pearce, a director of the Company and therefore a related party, are given in Note 13 to these financial statements.

18 Post balance sheet events

There have been no significant events which have occurred subsequent to the reporting date.