

# Instem Scientific Limited

## REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2016



Company Registration No. 03861669

# Instem Scientific Limited

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# Instem Scientific Limited

## DIRECTORS AND ADVISERS

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### DIRECTORS

Dr GS Baxter

PJ Reason

DM Sherwin

NJ Goldsmith

### REGISTERED OFFICE

Diamond Way

Stone Business Park

Stone

Staffordshire

ST15 0SD

### AUDITOR

RSM UK Audit LLP

Chartered Accountants

14<sup>th</sup> Floor

Chapel Street

Liverpool

L3 9AG

### BANKER

National Westminster Bank plc

1 Spinningfields Square

Manchester

M2 3AP

# Instem Scientific Limited

## DIRECTORS' REPORT

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The directors submit their report and the Company financial statements of Instem Scientific Limited for the year ended 31 December 2016.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is the development, sales and marketing of software and services that connect, harmonise, align and visualise intelligence in data, including the provision of solutions in respect of SEND (Standard for Exchange of Nonclinical Data).

### DIRECTORS

The following directors have held office since 1 January 2016:

Dr GS Baxter  
PJ Reason  
DM Sherwin  
NJ Goldsmith

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the Company.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they 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 it has been communicated to the auditor.

### AUDITOR

RSM UK Audit LLP has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the board



**NJ Goldsmith**  
Director

Diamond Way  
Stone Business Park  
Stone  
Staffordshire  
ST15 0SD

29 September 2017

# Instem Scientific Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 year.

In preparing those financial statements, the directors are required to:

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

# **Instem Scientific Limited**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSTEM SCIENTIFIC LIMITED**

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### **Opinion on financial statements**

We have audited the financial statements on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

### **Scope of the audit of the financial statements**

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

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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, based on the work undertaken in the course of our audit, 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 any 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 or in preparing the directors' report.

# Instem Scientific Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSTEM SCIENTIFIC LIMITED

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### **Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.



GRAHAM BOND FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
14<sup>th</sup> Floor  
Chapel Street  
Liverpool  
L3 9AG

29 September 2017

**Instem Scientific Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2016**

	Note	2016 £000	2015 £000
REVENUE	1	2,752	1,716
Operating expenses		(2,241)	(2,182)
Share based payment		(21)	(14)
		<hr/>	<hr/>
EARNINGS/(LOSS) BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)		490	(480)
Depreciation		(17)	(25)
Amortisation of internally generated intangibles		(36)	(24)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE FINANCE INCOME	3	437	(529)
Finance income	2	10	-
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAXATION		447	(529)
Taxation	6	363	247
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE YEAR		810	(282)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		810	(282)
		<hr/>	<hr/>

All amounts above relate to continuing operations.



**Instem Scientific Limited**  
**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2016**

	Note	2016 £000	2015 £000
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Intangible assets	7	95	131
Property, plant and equipment	8	6	22
Investments	9	100	100
Deferred tax asset	13	609	246
<b>TOTAL NON CURRENT ASSETS</b>		<b>810</b>	<b>499</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	10	1,040	649
Cash and cash equivalents		93	27
<b>TOTAL CURRENT ASSETS</b>		<b>1,133</b>	<b>676</b>
<b>TOTAL ASSETS</b>		<b>1,943</b>	<b>1,175</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	912	901
Deferred income		77	151
<b>TOTAL CURRENT LIABILITIES</b>		<b>989</b>	<b>1,052</b>
<b>EQUITY</b>			
Share capital	12	5	5
Share premium		8,083	8,083
Capital redemption reserve		2,975	2,975
Capital contribution reserve		86	65
Retained earnings		(10,195)	(11,005)
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY</b>		<b>954</b>	<b>123</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,943</b>	<b>1,175</b>

The financial statements on pages 6 to 21 were approved by the board of directors and authorised for issue on 29 September 2017 and are signed on its behalf by:



**NJ Goldsmith**  
Director

Company Registration No. 03861669

**Instem Scientific Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2016

	Share capital £000	Share premium £000	Capital redemption reserve £000	Capital contribution reserve £000	Retained earnings £000	Total £000
Balance as at 1 January 2015	5	8,083	2,975	51	(10,723)	391
Loss for the financial year	-	-	-	-	(282)	(282)
Total comprehensive income	-	-	-	-	(282)	(282)
<i>Transaction with the owner:</i>						
Share based payment	-	-	-	14	-	14
Balance as at 31 December 2015	5	8,083	2,975	65	(11,005)	123
Balance as at 1 January 2016						
Profit for the financial year	-	-	-	-	810	810
Total comprehensive expense	-	-	-	-	810	810
<i>Transaction with the owner:</i>						
Share based payment	-	-	-	21	-	21
Balance as at 31 December 2016	5	8,083	2,975	86	(10,195)	954

# Instem Scientific Limited

## ACCOUNTING POLICIES

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### GENERAL INFORMATION

Instem Scientific Limited ("the Company") is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The principal activity and nature of operations of the Company is the development, sales and marketing of software and services that connect, harmonise, align and visualise intelligence in data, including the provision of solutions in respect of SEND (Standard for Exchange of Nonclinical Data).

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

### BASIS OF ACCOUNTING

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 Instem Scientific 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.

Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

### REDUCED DISCLOSURE

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments; Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information),
  - 134-136 (capital management disclosures),
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements), and
  - 40A-D (requirements for a third statement of financial position).
- IAS 7, 'Statement of cash flows'.

# Instem Scientific Limited

## ACCOUNTING POLICIES

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### REDUCED DISCLOSURE (continued)

- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirement of IFRS 1, 'First-time adoption of International Financial Reporting Standards' to present a statement of financial position at the date of transition.
- Paragraphs 46 to 52 of IFRS 2 'Share-based Payment' (shared based payment disclosure).
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(p), B64(q)(iii), B66 and B67 of IFRS 3 'Business Combinations' may be omitted provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- Paragraph 18A of IAS 24, 'Related party disclosures', related to key management services provided by a separate management entity.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

These financial statements present information about the Company as an individual undertaking and not about its group as the Company has taken advantage of the exemption provided by s400 of the Companies Act 2006 not to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Instem plc, a company incorporated in England and Wales.

### GOING CONCERN

The Company's principal activities are set out on page 2. The Company, and the group of which the company is a member, has a significant proportion of recurring revenue from a well-established, global customer base supported by a largely fixed cost base. A group working capital facility has been put in place to support its working capital needs through 2017 and beyond. The company is reliant on its parent for continued financial support, and the directors of the parent undertaking have confirmed that they will continue to make such support available to the company to enable it to meet its liabilities as they fall due.

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

### REVENUE RECOGNITION

The Company follows the principles of IAS 18 'Revenue Recognition' in determining appropriate revenue recognition principles. In general, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue comprises the value of software licence sales, SaaS subscription, installation, training, and maintenance and support services. Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price is fixed and determinable and (iv) collectability is reasonably assured.

For software arrangements with multiple elements revenue is recognised dependent on whether vendor-specific objective evidence ('VSOE') of fair value exists for each of the elements. VSOE is determined by reference to sales made to customers on a stand-alone basis. Where there is no VSOE, revenue is recognised over the full term of each contract.

# Instem Scientific Limited

## ACCOUNTING POLICIES

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### REVENUE RECOGNITION (continued)

Revenue from licence based products is recognised when the risks and rewards of ownership of the product are transferred to the customer i.e. when licence keys are delivered to the customer, the sales price is fixed and determinable and collectability is reasonably assured.

Revenue from software maintenance, SaaS and other time based contracts are recognised over the invoiced contract period.

Revenue from installation and training is recognised on a percentage completion basis on fixed price contracts or as services are provided in respect of time and materials contracts.

The excess of amounts invoiced over revenue is included in accruals and deferred income. If the amount of revenue recognised exceeds the amounts invoiced the excess amount is included within amounts recoverable on contracts.

### EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION ('EBITDA')

Earnings before interest, taxation, depreciation, amortisation and non-recurring costs (EBITDA) is profit/(loss) arising from the Company's normal trading activities stated before depreciation, amortisation, non-recurring costs, finance income and finance costs, and shown in this way to provide a clearer measure of underlying operating performance.

### FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

### FINANCE 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).

### LEASING

All leases are "operating leases" and the annual rentals are charged to the statement of comprehensive income on a straight line basis over the lease term.

### SHARE-BASED PAYMENT TRANSACTIONS

The Group 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 relative to the performance of the AIM All share index. Non-market vesting conditions are linked to trading performance and service over defined time periods.

# Instem Scientific Limited

## ACCOUNTING POLICIES

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### SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 the Group's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

### 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.

### INTANGIBLE ASSETS

#### *Computer Software*

Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised and amortised on a straight line basis over their useful economic lives of three years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria of IAS 38 "Intangible Assets" are met. When the software is available for its use, these costs are amortised over the estimated useful life of the software.

#### *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.

# Instem Scientific Limited

## ACCOUNTING POLICIES

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### INTANGIBLE ASSETS (continued)

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).

### PROPERTY, PLANT & EQUIPMENT

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:

Short leasehold land and buildings	-	Straight line over 2-3 years
Computer equipment	-	Straight line over 3-4 years
Office equipment, fixtures and fittings	-	Straight line over 3 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. Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the assets as if it were at the age and in the condition expected at the end of its useful life.

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.

### FINANCIAL INSTRUMENTS

#### *Classification of financial instruments*

Financial instruments are classified as financial assets, financial liabilities or equity instruments.

#### *Recognition and valuation of financial assets*

Financial assets are initially recorded at their fair value net of transaction costs. At each reporting date, the Company reviews the carrying value of its financial assets to determine whether there is objective evidence of an indication of impairment. If any such indication exists the recoverable amount is estimated and any identified impairment loss is recognised in the statement of comprehensive income.

#### *Investments*

Investments in subsidiaries are recorded at cost in the statement of financial position. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in the statement of comprehensive income in the period they occur.

#### *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.

#### *Trade receivables, Group receivables and Other receivables*

Receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an impairment provision account and any impairment loss is recognised in the statement of comprehensive income.

# Instem Scientific Limited

## ACCOUNTING POLICIES

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### FINANCIAL INSTRUMENTS (continued)

#### *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, payables, Group payables 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.

### RETIREMENT BENEFITS

#### *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.

### CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents the redemption of non-equity shares.

### RETAINED EARNINGS

The retained earnings reserve includes the accumulated profits and losses arising from the 'Statement of Comprehensive Income' and certain items from 'Other Comprehensive Income' attributable to equity shareholders net of distributions to shareholders.

### CAPITAL CONTRIBUTION RESERVE

The Company contributes towards equity-settled share-based payments to certain employees, made by its parent company, Instem plc. 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. A cost is recognised in the Company relating to the employees of the Company who hold these instruments and an equivalent amount is recognised as a movement in the capital contribution reserve.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain year end asset and liability amounts reported in the financial information are based on management estimates and assumptions. There is therefore a risk of significant changes to the carrying amounts of these assets and liabilities within the next financial year. The estimates and assumptions are made on the basis of information and conditions that existed at the time of the valuation.

#### *Recognition of deferred tax assets*

The recognition of deferred tax assets shown in the notes is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. The amounts recognised in the financial statements is derived from the Director's best estimation and judgement incorporating forecasts and all available information.



# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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### 1 TURNOVER

The directors believe that the Company operates in one business segment. The geographical split of turnover is as follows:

	2016 £000	2015 £000
United Kingdom	361	588
Rest of Europe	664	178
USA and Canada	1,694	948
Rest of World	33	2
	<u>2,752</u>	<u>1,716</u>

### 2 FINANCE INCOME

	2016 £000	2015 £000
Foreign exchange gains	10	-
	<u>10</u>	<u>-</u>

### 3 PROFIT/(LOSS) BEFORE TAXATION

	2016 £000	2015 £000
Profit/(loss) before taxation is stated after charging/(crediting):		
Depreciation and amounts written off property, plant and equipment:		
Charge for the year – owned assets	17	25
Amortisation	36	24
Foreign exchange gain	(10)	(6)
Operating lease rentals:		
Land and buildings	25	25
Audit services:		
Statutory audit of Company	7	7
	<u>75</u>	<u>75</u>

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 4 EMPLOYEES

	2016 Number	2015 Number
The average monthly number of persons (including directors) employed by the Company during the year was:		
Directors and administration	4	5
Scientific and technical	6	5
Sales and business development	-	1
	<u>10</u>	<u>11</u>

Staff costs for the above persons:

	2016 £000	2015 £000
Wages and salaries	406	445
Social security costs	45	46
Other pension costs	21	22
	<u>472</u>	<u>513</u>

### 5 DIRECTORS' REMUNERATION

	2016 £000	2015 £000
Emoluments	111	112
Defined contribution pension contributions	6	6
	<u>117</u>	<u>118</u>

Number of directors to whom relevant benefits are accruing under:

	2016 Number	2015 Number
Defined contribution schemes	1	1

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 6 TAXATION

	2016 £000	2015 £000
Income taxes recognised in profit or loss		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustments in respect of previous periods	-	17
Total current tax	-	17
Deferred tax:		
Current year credit	(363)	(264)
Total deferred tax	(363)	(264)
Total income tax credit recognised in the current year	(363)	(247)
	2016 £000	2015 £000
The income tax credit can be reconciled to the accounting profit/(loss) as follows:		
Profit/(loss) before tax	447	(529)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK 20.0% (2015: 20.25%)	89	(107)
Effects of:		
Expenses not deductible for tax purposes	1	-
Other timing differences	(15)	(3)
Group relief	-	103
Losses utilised	(90)	-
Effects of domestic tax rate charge on opening balances	20	-
Tax losses carried forward	(368)	(257)
Adjustments in respect of prior periods	-	17
Total income tax credit recognised in statement of comprehensive income	(363)	(247)

The reduction in the applicable tax rate is due to legislation included in the Finance Act 2013 to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. The tax rate which has been substantively enacted as at 31 December 2016 is 17% in respect of periods from 1 April 2020 following legislation in the Finance Act 2015.

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 7 INTANGIBLE ASSETS

	Software £000
<i>Cost</i>	
At beginning and end of year	180
<i>Amortisation</i>	
At beginning of year	49
Amortisation	36
At end of year	85
Net book value <b>At 31 December 2016</b>	<b>95</b>
At 31 December 2015	131

The above Software relates fully to internally generated assets.

### 8 PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings £000	Computer equipment £000	Office equipment, fixtures and fittings £000	Total £000
<i>Cost</i>				
At beginning of year	33	260	43	336
Additions	-	1	-	1
At end of year	33	261	43	337
<i>Depreciation</i>				
At beginning of year	22	254	38	314
Charged in the year	10	2	5	17
At end of year	32	256	43	331
Net book value <b>At 31 December 2016</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>6</b>
At 31 December 2015	11	6	5	22

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2016

#### 9 FIXED ASSET INVESTMENTS

Shares in  
subsidiary  
undertakings  
£000

*Cost and Net book value*

At beginning and end of year

**100**

The Company holds more than 20% of the equity (and no other share or loan capital) of the following undertakings:

<i>Subsidiary undertakings</i>	<i>Registered address</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
Instem Scientific Solutions Limited (company number 03861669) England and Wales	Diamond Way Stone Business Park Stone, Staffordshire ST15 0SD	Dormant	100% Ordinary
Instem Scientific Inc USA	Suite 1550 161 Washington Street 8 Tower Bridge Conshohocken PA 19428	Leading provider of software solutions for extracting intelligence from R&D related healthcare data	100% Ordinary

#### 10 TRADE AND OTHER RECEIVABLES

	<b>2016 £000</b>	<b>2015 £000</b>
Trade receivables	<b>112</b>	70
Amounts owed by group undertakings	<b>908</b>	553
Other debtors	<b>20</b>	26
	<b>1,040</b>	649

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

Trade receivables are stated after provisions for impairment of £nil (2015: £30,000).

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 11 TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade payables	19	30
Amounts owed to group undertakings	828	808
Other taxation and social security costs	5	6
Accruals	60	57
	<u>912</u>	<u>901</u>

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

### 12 SHARE CAPITAL

	2016 £000	2015 £000
<i>Allotted, called-up and fully paid:</i>		
462,076 Ordinary shares of £0.01 each	5	5

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

### 13 DEFERRED TAX

	2016 £000	2015 £000
Deferred tax asset		
Amounts due to be recovered after 12 months	609	246

The following are the major deferred tax assets and liabilities recognised by the Company and the movements thereon during the year:

*Deferred tax asset/(liability)*

	Tax losses £000	Other timing difference £000	Accelerated tax depreciation £000	Total £000
At 1 January 2016	257	(18)	7	246
Credit to profit or loss for the year	352	11	-	363
<b>At 31 December 2016</b>	<u>609</u>	<u>(7)</u>	<u>7</u>	<u>609</u>

The Company has unprovided deferred tax assets of £124,720 (2015: £708,492). The Company does not recognise deferred tax assets unless sufficient taxable profits to utilise the assets can be forecasted.

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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### 14 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 £21,000 (2015: £22,000). Contributions totalling £4,000 (2015: £4,000) were payable to the fund at the balance sheet date and are included in creditors.

### 15 OPERATING LEASES PAYABLE

At the reporting date, the Company had future aggregate minimum lease payments, which fall due as follows:	2016 £000	2015 £000
Land and buildings		
Within one year	25	25
In the second to fifth year	50	75
	<hr/>	<hr/>
	75	100
	<hr/>	<hr/>

Operating lease payments represent rentals payable the Company for property leases. Leases have varying terms and renewal rights. The above leasing arrangements do not contain any restrictive covenants, contingent rents or purchase options.

### 16 CONTINGENT LIABILITY

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

### 17 ULTIMATE PARENT COMPANY

The ultimate and immediate parent company is Instem plc, a company incorporated in Great Britain and registered in England and Wales. This is both the smallest and largest group in which the company's financial statements are consolidated.

Copies of the group financial statements may be obtained from:

Diamond Way  
Stone Business Park  
Stone  
Staffordshire  
ST15 0SD