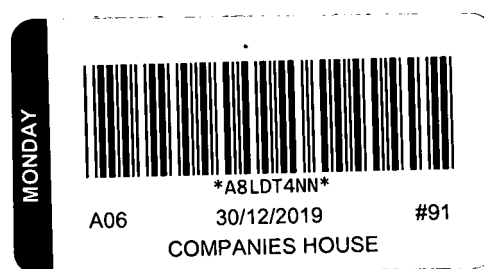


## **Instem Scientific Limited**

### **REPORT AND FINANCIAL STATEMENTS**

Year ended 31 December 2018



# **Instem Scientific Limited**

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# **Instem Scientific Limited**

## **DIRECTORS AND ADVISERS**

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### **DIRECTORS**

G S Baxter  
P J Reason  
D M Sherwin  
N J 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 2018.

### 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).

### RESULTS AND IMPACT IFRS 9

IFRS 9 Financial Instruments has been adopted by the Company and as a consequence, certain adjustments have been made to both the 2017 financial statements, resulting in a £0.7m reduction of EBITDA.

### DIRECTORS

The following directors have held office since 1 January 2018:

G S Baxter  
P J Reason  
D M Sherwin  
N J 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



**N J Goldsmith**  
Director

Diamond Way  
Stone Business Park  
Stone  
Staffordshire  
ST15 0SD

23 December 2019

# **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

We have audited the financial statements of Instem Scientific Limited (the 'company') on pages 7 to 27 for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

# Instem Scientific Limited

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

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### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 exemption from the requirement to prepare a strategic report or in preparing the directors' report.

### Responsibilities of directors

As explained more fully 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, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

## **Instem Scientific Limited**

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

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#### **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.



GRAHAM BOND FCA (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP

Chartered Accountants

14th Floor

Chapel Street

Liverpool

L3 9AG

24 December 2019



# Instem Scientific Limited

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2018

<b>Continuing Operations</b>			Restated (see note 5)
	Notes	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
REVENUE	1	<b>5,136</b>	3,729
Operating expenses		<b>(5,180)</b>	(3,806)
Share based payment		<b>(19)</b>	(15)
<b>EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)</b>		<b>(63)</b>	(92)
Depreciation		<b>(3)</b>	(4)
Amortisation of internally generated intangibles		<b>(36)</b>	(36)
<b>LOSS BEFORE FINANCE INCOME/(COSTS)</b>		<b>(102)</b>	(132)
Finance income	2	<b>7</b>	-
Finance costs	3	<b>-</b>	(24)
<b>LOSS BEFORE TAXATION</b>	4	<b>(95)</b>	(156)
Taxation	8	<b>(246)</b>	87
<b>LOSS FOR THE YEAR</b>		<b>(341)</b>	(69)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(341)</b>	(69)

# Instem Scientific Limited

## STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 £000	Restated (see note 5) 2017 £000	£000
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Intangible assets	9	23	59	
Property, plant and equipment	10	2	5	
Investments	11	100	100	
Deferred tax asset	15	450	696	
<b>TOTAL NON CURRENT ASSETS</b>			<b>575</b>	<b>860</b>
<b>CURRENT ASSETS</b>				
Trade and other receivables	12	868	810	
Cash and cash equivalents		68	112	
<b>TOTAL CURRENT ASSETS</b>			<b>936</b>	<b>922</b>
<b>TOTAL ASSETS</b>			<b>1,511</b>	<b>1,782</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	1,882	1,665	
Deferred income		59	225	
<b>TOTAL CURRENT LIABILITIES</b>			<b>1,941</b>	<b>1,890</b>
<b>EQUITY</b>				
Share capital	14	5	5	
Share premium		8,083	8,083	
Capital redemption reserve		2,975	2,975	
Capital contribution reserve		120	101	
Retained earnings		(11,613)	(11,272)	
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY</b>			<b>(430)</b>	<b>(108)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>1,511</b>	<b>1,782</b>

The financial statements on pages 7 to 27 were approved by the board of directors and authorised for issue on 23 December 2019 and are signed on its behalf by:



**N J Goldsmith**  
Director

Company Registration No. 03861669

# Instem Scientific Limited

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

ATTRIBUTABLE TO OWNERS OF THE COMPANY						Restated (see note 5)
	Share capital £000	Share premium £000	Capital redemption reserve £000	Capital contribution reserve £000	Retained earnings £000	Total £000
<b>Balance as at 1 January 2017</b>	<b>5</b>	<b>8,083</b>	<b>2,975</b>	<b>86</b>	<b>(11,203)</b>	<b>(54)</b>
Profit for the financial year	-	-	-	-	(69)	(69)
Total comprehensive income	-	-	-	-	(69)	(69)
<i>Transaction with the owner:</i>						
Share based payment	-	-	-	15	-	15
<b>Balance as at 31 December 2017</b>	<b>5</b>	<b>8,083</b>	<b>2,975</b>	<b>101</b>	<b>(11,272)</b>	<b>(108)</b>
Profit for the financial year	-	-	-	-	(341)	(341)
Total comprehensive income	-	-	-	-	(341)	(341)
<i>Transaction with the owner:</i>						
Share based payment	-	-	-	19	-	19
<b>Balance as at 31 December 2018</b>	<b>5</b>	<b>8,083</b>	<b>2,975</b>	<b>120</b>	<b>(11,613)</b>	<b>(430)</b>

# 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 the United Kingdom. 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.

### 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 (continued)

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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).

### 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 2019 and beyond.

The Company reported a loss in the year and has net liabilities at the balance sheet date and therefore a letter of financial support has been obtained from the parent company.

The directors 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 has adopted IFRS 15 Revenue from Contracts with Customers, in determining appropriate revenue recognition principles.

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

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

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

# Instem Scientific Limited

## ACCOUNTING POLICIES (continued)

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### REVENUE RECOGNITION (continued)

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

There has been no impact on the financial statements for 2017 and 2018 due to the adoption of IFRS 15, Revenue from Contracts with Customers.

#### *Software licences*

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

#### *Annual support*

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

#### *SaaS subscription and support*

Customers typically enter into a SaaS contract for a period of twelve months and pay a fixed amount in exchange for the right to access software on a hosted server along with access to maintenance and support. Initial SaaS contracts may also include some installation or customisation of the software and training for staff. The promises in this contract are considered to be a single performance obligation and the revenue is recognised over the period of the contract on a straight-line basis.

#### *Professional services*

Customers typically enter into a service contract to provide distinct service work based on clear statements of work. Service work includes, but is not limited to, implementation services and training. The promises in this contract are considered to be a single performance obligation and the revenue is recognised on a percentage completion basis for fixed price contracts or as services are provided in respect of time and materials contracts.

#### *Bundled contracts*

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

Unless otherwise noted during the contract assessment, the revenue elements are considered to be separate performance obligations on the basis that the software licence can be delivered with or without the professional services and annual support and management has determined that, although the annual support provides the customer with access to software upgrades, these upgrades are rarely utilised within the initial contract period and do not significantly enhance the intellectual property of the purchased software licence, therefore the products and services are not interdependent or interrelated with another good or service. In allocating the consideration to the separate performance obligations the standalone selling price is used.

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

#### *Amounts recoverable on contracts and deferred income*

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

# Instem Scientific Limited

## ACCOUNTING POLICIES (continued)

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### FINANCIAL INSTRUMENTS

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

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

Earnings before interest, taxation, depreciation and amortisation (EBITDA) is profit arising from the Company's normal trading activities and is 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. Non-market vesting conditions are linked to trading performance and service over defined time periods.

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

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

# Instem Scientific Limited

## ACCOUNTING POLICIES (continued)

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### 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.

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).



# Instem Scientific Limited

## ACCOUNTING POLICIES (continued)

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### 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 (continued)

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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 amounts arising following the redemption or purchase of the Company's own 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.

#### *Revenue Recognition*

The Company has adopted IFRS 15 Revenue from Contracts with Customers, in determining appropriate revenue recognition principles. The Company generates revenue from the provision of software licences, annual support, SaaS subscriptions, professional services and technology enabled outsourced services.

# Instem Scientific Limited

## ACCOUNTING POLICIES (continued)

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### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

Unless otherwise noted during the contract assessment, the software licences, annual support and professional services are considered to be separate performance obligations on the basis that the software licence can be delivered with or without the professional services and annual support and management has determined that, although the annual support provides the customer with access to software upgrades, these upgrades are rarely utilised within the initial contract period and do not significantly enhance the intellectual property of the purchased software licence, therefore the products and services are not interdependent or interrelated with another good or service. In allocating the consideration to the separate performance obligations the standalone selling price is used.

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

#### *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 2018

## 1 REVENUE FROM CONTRACTS WITH CUSTOMERS

### a) Disaggregation of Revenue

The company has disaggregated revenue into various categories in the following tables which are intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The directors believe that the Company operates in one business segment.

	2018 £000	2017 £000
United Kingdom	1,664	1,116
Rest of Europe	225	224
USA and Canada	3,220	2,389
Rest of World	27	-
	<u>5,136</u>	<u>3,729</u>

### a) Contract Balances

	2018		2017	
£000	Amounts recoverable on contracts	Deferred income	Amounts recoverable on contracts	Deferred income
At 1 January	63	(225)	-	(77)
Transfer in the period from amounts recoverable on contracts to trade receivables	(63)	-	-	-
Amounts included in deferred income that was recognised as revenue during the period	-	225	-	77
Cash received in advance of performance and not recognised as revenue during the period	-	(59)	-	(225)
Excess of revenue recognised over cash being recognised during the period	84	-	63	-
At 31 December	<u>84</u>	<u>(59)</u>	<u>63</u>	<u>(225)</u>

Amounts recoverable on contracts and deferred income are included within "trade and other receivables" and "deferred income" respectively on the face of the statement of financial position.

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Amounts recoverable on contracts predominately relate to fulfilled obligations on service contracts where billing is in arrears. At the point where completed work is invoiced, the contract asset is derecognised and a corresponding receivable recognised.

Deferred income relates to consideration received from customers in advance of work being completed and maintenance and support which is invoiced in advance.

### a) Remaining performance obligations

All the Company's contracts are for the delivery of software and services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. There are no bundled contracts which have been entered into for which both the original contract was greater than 12 months and the Company's right to consideration does not correspond directly with the performance.

### b) Contract Costs

The entity has applied the practical expedient available in paragraph 94 of IFRS 15 to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

## 2 FINANCE INCOME

	2018 £000	2017 £000
Foreign exchange gains	7	-

## 3 FINANCE COSTS

	2018 £000	2017 £000
Foreign exchange losses	-	24

## 4 PROFIT BEFORE TAXATION

	2018 £000	Restated 2017 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation and amounts written off property, plant and equipment:		
Charge for the year – owned assets	3	4
Amortisation	36	36
Foreign exchange (gains)/losses	(7)	24
Intercompany receivable provision addition	1,613	719
Operating lease rentals:		
Land and buildings	25	25
Audit services:		
Statutory audit of Company	8	7

# Instem Scientific Limited

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2018

## 5 RECONCILIATION TO PREVIOUSLY REPORTED INFORMATION

The table below reconciles key line items in these financial statements to the information provided in the financial statements for the year ended 31 December 2017 and the opening statement of financial position at 1 January 2018. The changes relate to the adoption of IFRS 9, Financial Instruments, and includes a calculation of the impairment of intercompany receivables.

	As previously reported £000	IFRS 9 adoption £000	As Restated £000
<b>Income statement for 2017</b>			
REVENUE	3,729	-	3,729
Operating expenses	(3,087)	(719)	(3,806)
Share based payment	(15)		(15)
	<hr/>	<hr/>	<hr/>
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND NON-RECURRING COSTS ('EBITDA')	627	(719)	(92)
Depreciation and Amortisation	(40)	-	(40)
	<hr/>	<hr/>	<hr/>
PROFIT BEFORE FINANCE COSTS	587	(719)	(132)
Finance costs	(24)	-	(24)
	<hr/>	<hr/>	<hr/>
PROFIT BEFORE TAXATION	563	(719)	(156)
Taxation	87	-	87
	<hr/>	<hr/>	<hr/>
PROFIT FOR THE YEAR	650	(719)	(69)
	<hr/>	<hr/>	<hr/>

	As previously reported £000	IFRS 9 adoption £000	As Restated £000
<b>Statement of Financial Position as at 31 December 2017</b>			
Trade and other receivables	2,537	(1,727)	810
Total current assets	2,649	(1,727)	922
Total assets	3,509	(1,727)	1,782
Total liabilities	1,890	-	1,890
Retained earnings	(9,545)	(1,727)	(11,272)
Total equity	(1,619)	(1,727)	(108)
Total equity and liabilities	3,509	(1,727)	1,782
	<hr/>	<hr/>	<hr/>

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 6 EMPLOYEES

	2018 Number	2017 Number
The average monthly number of persons (including directors) employed by the Company during the year was:		
Directors and administration	5	4
Scientific and technical	5	6
	<u>10</u>	<u>10</u>

Staff costs for the above persons:

	2018 £000	2017 £000
Wages and salaries	367	361
Social security costs	45	42
Other pension costs	24	19
	<u>436</u>	<u>422</u>

### 7 DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Emoluments	112	108
Defined contribution pension contributions	6	6
	<u>118</u>	<u>114</u>

Number of directors to whom relevant benefits are accruing under:

	2018 Number	2017 Number
Defined contribution schemes	1	1

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

### 8 TAXATION

	2018 £000	2017 £000
Income taxes recognised in profit or loss		
Current tax:		
UK corporation tax on profit of the year	-	-
Total current tax	-	-
Deferred tax:		
Current year charge/(credit)	246	(87)
Total deferred tax	246	(87)
Total income tax charge/(credit) recognised in the current year	246	(87)

	2018 £000	Restated 2017 £000
The income tax credit can be reconciled to the accounting profit as follows:		
Profit before tax	(95)	(156)
Profit before tax multiplied by standard rate of corporation tax in the UK 19.0% (2017: 19.25%)	(18)	(30)
Effects of:		
Expenses not deductible for tax purposes	-	1
Other timing differences	310	144
Losses utilised	(46)	(202)
Total income tax charge/(credit) recognised in statement of comprehensive income	246	(87)



# Instem Scientific Limited

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2018

## 9 INTANGIBLE ASSETS

	Software £000
<i>Cost</i>	
At beginning and end of year	180
<i>Amortisation</i>	
At beginning of year	121
Amortisation	36
At end of year	157
Net book value <b>At 31 December 2018</b>	<b>23</b>
At 31 December 2017	59

The above Software relates fully to internally generated assets. Amortisation is recognised in amortisation costs in the Statement of Comprehensive Income.

## 10 PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings	Computer equipment	Office equipment, fixtures and fittings	Total
	£000	£000	£000	£000
<i>Cost</i>				
At beginning of year	33	264	43	340
Disposals	-	(2)	-	(2)
At end of year	33	262	43	338
<i>Depreciation</i>				
At beginning of year	33	259	43	335
Charged in the year	-	3	-	3
Disposals	-	(2)	-	(2)
At end of year	33	260	43	336
Net book value <b>At 31 December 2018</b>	-	2	-	2
At 31 December 2017	-	5	-	5

# Instem Scientific Limited

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2018

## 11 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £000
<i>Cost and Net book value</i>	
At beginning and end of year	<b>100</b>

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

Company	Registered address	Activity	Ownership
<b>Instem Scientific Solutions Limited</b> (company number 03861669) England and Wales	Diamond Way Stone Business Park Stone, Staffordshire ST15 0SD	Dormant	100% Ordinary
<b>Instem Scientific Inc</b> USA	Suite 1550 161 Washington Street 8 Tower Bridge Conshohocken PA 19428	Provider of software solutions for extracting intelligence from R&D related healthcare data	100% Ordinary

## 12 TRADE AND OTHER RECEIVABLES

	2018 £000	Restated 2017 £000
Trade receivables	<b>35</b>	393
Amounts owed by group undertakings	<b>740</b>	342
Amounts recoverable on contracts	<b>84</b>	63
Other debtors	<b>9</b>	12
	<b>868</b>	810

### *Definition of default*

A loss allowance on all financial assets is measured by considering the probability of default. Receivables are considered to be in default based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### *Impairment of trade receivables*

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

### *Impairment of group receivables*

The Company assesses the expected credit loss in respect of group receivables based on their ability to repay and recover the balance. In the absence of agreed terms this consideration is given over the expected period of repayment and any expected credit loss. The Company is required to calculate expected credit losses on all financial assets, including intercompany receivables within the scope of IFRS 9, 'Financial Instruments'. Intercompany positions eliminate in consolidated financial statements. At the period end an allowance has been made for credit impairment of group receivables of £3,340,000 (2017: restated £1,727,000).

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

## 13 TRADE AND OTHER PAYABLES

	2018 £000	2017 £000
Trade payables	1	11
Amounts owed to group undertakings	1,852	1,568
Other taxation and social security costs	14	21
Accruals	15	65
	<u>1,882</u>	<u>1,665</u>

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

## 14 SHARE CAPITAL

	2018 £000	2017 £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.

# Instem Scientific Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

### 15 DEFERRED TAX

	2018 £000	2017 £000
Deferred tax asset		
Amounts due to be recovered after 12 months	450	696

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 2018	693	(3)	6	696
Credit to profit or loss for the year	(256)	11	(1)	(246)
<b>At 31 December 2018</b>	<b>437</b>	<b>8</b>	<b>5</b>	<b>450</b>

The Company has unprovided deferred tax assets of £nil (2017: nil). The Company does not recognise deferred tax assets unless sufficient taxable profits to utilise the assets can be forecasted.

### 16 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 £24,000 (2017: £19,000). Contributions totalling £2,000 (2017: £4,000) were payable to the fund at the balance sheet date and are included in creditors.

### 17 OPERATING LEASES PAYABLE

At the reporting date, the Company had future aggregate minimum lease payments, which fall due as follows:	2018 £000	2017 £000
Land and buildings		
Within one year	2	25
	<b>2</b>	<b>25</b>

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.

# **Instem Scientific Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018

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### **18 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.

### **19 ULTIMATE PARENT COMPANY**

The ultimate and immediate parent company is Instem plc, a company incorporated and registered in the United Kingdom.

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