

Perpetuum Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 05145240

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Perpetuum Limited

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Company Information

Directors	Dr S E H Turley B D Clarke J E Parsons
Registered number	05145240
Registered office	Unit 2 Comines Way Hedge End Southampton SO30 4DA
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Perpetuum Limited

Group Strategic Report For the Year Ended 31 December 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Review of business and future developments

The group and company is involved in engineering, production and marketing of vibration harvester powered wireless condition monitoring systems. The group is continuing to invest in the development of new technology to broaden its product range in the rail industry.

During the year the company made a loss before tax of £4,242,607 (2019 - £6,411,927). Turnover was at a lower level to last year at £3,326,249 (2019 - £4,836,379) which the directors consider to be a strong performance in the context of the disruption to the rail sector caused by COVID-19.

Faced with the likelihood of significant delays to its pipeline, the group took measures to reduce its cost base by taking advantage of the governments Coronavirus Job Retention Scheme whilst retaining the ability to deliver its products and services as soon as the market starts to recover. Whilst passenger traffic has clearly reduced drastically, early indications are that potential customers appear to be deferring future plans rather than radically reworking them, which would suggest that new sales orders will be delayed rather than cancelled. The group is once again operating at full capacity.

In April 2021 the group was acquired by Hitachi Rail Limited. The directors consider this transaction a major endorsement of the group's products and services.

Further details of the steps taken and the uncertainty over the group's forecasts are provided in note 1.3 of the financial statements.

Financial key performance indicators

Turnover for the year was £3,326,249 (2019 - £5,040,632) and the loss before tax was £4,242,607 (2019 - £6,411,927). Within this research and development activities amounted to £2,443,294 (2019 - £2,752,907) during the year.

At 31 December 2020 the group had cash balances of £745,494 (2019 - £1,745,019) and recorded a cash outflow for the year of £999,525 (2019 - Inflow of £828,544). Net liabilities increased in the year to £1,278,579 (2019 - net assets of £2,156,078) as a result of the trading performance and the equity raise in the year.

Perpetuum Limited

Group Strategic Report (continued)
For the Year Ended 31 December 2020

Principal risks and uncertainties

The group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group. The main risks identified by the Board are as follows:

Credit risk

The principal credit risk the group faces is that of non-payment of invoices for goods supplied or services rendered. Controls are in place to manage debts with clients, but occasionally a bad debt might be incurred due to matters beyond our control.

Liquidity risk

The group monitors all cash balances on a daily basis to ensure that all foreseeable future needs can be met.

Foreign exchange risk

The group makes purchases in foreign currencies. The group's policy is to review the level of foreign currency balances on a regular basis and to recognise any associated gains and losses as they arise. The group does not maintain any forward hedging contracts.

This report was approved by the board and signed on its behalf.



Dr S E H Turley
Director

Date: 30/9/21

Perpetuum Limited

Directors' Report For the Year Ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £3,423,704 (2019 - £5,542,541).

The directors do not recommend the payment of a dividend.

Future developments

Information on the likely future developments in the business of the group has been included in the strategic report on page 1.

Research and development activities

Research and development activities relating to the group's programme of technology development amounted to £2,443,294 (2019 - £2,752,907) during the year.

Financial risk management objectives and policies

The group uses financial instruments comprising cash, debt factoring and borrowings, and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the group's operations. Consideration of the financial risks faced by the company are disclosed in the strategic report.

Post balance sheet events

On 1 April 2021 Perpetuum Limited was purchased by Hitachi Rail Limited.

On 14 June the group issued a further 10,993,196 C Shares for a consideration of £3.6m. This was used to pay down the group's other loans.

Directors

The directors who served during the year and to the date of this report were:

Dr S E H Turley
R A Freeland (resigned 1 April 2021)
Dr D G Parker (resigned 1 April 2021)
IP2IPO Services Ltd (resigned 1 April 2021)
Park Walk Advisors Limited (resigned 1 April 2021)
A C Morteani (resigned 1 April 2021)

Perpetuum Limited

Directors' Report (continued) For the Year Ended 31 December 2020

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Dr S E H Turley
Director

Date: 30/9/21

Perpetuum Limited

Independent Auditor's Report to the Members of Perpetuum Limited

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Perpetuum Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for qualified opinion

As a result of the Government measures within the UK and India in response to the Covid-19 pandemic, and the fact that a full year end inventory count did not therefore take place, we were not able to observe the counting of physical stocks at the end of the year at the subsidiary in India and a site in the UK. We were unable to satisfy ourselves by alternative means concerning the stock quantities held at 31 December 2020, which are included in the balance sheet at £473,446 for the group and £285,388 for the parent company, by using other audit procedures. Consequently we were unable to determine whether any adjustments to these amounts were necessary. In addition, were any adjustments to the stock balances to be required, the strategic report and the directors' report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remain independent of the Group and the Parent 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.

Material uncertainty related to going concern

We draw attention to note 1.3 in the financial statement, which may indicate the directors' considerations over going concern, including Covid-19, and that the Group may need to raise additional funding if it is unable to meet its forecasts. As stated in note 1.3, these events or conditions, along with other matters as set out in note 1.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Perpetuum Limited

Independent Auditor's Report to the Members of Perpetuum Limited (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £473,446 for the group and £285,388 for the parent company held at 31 December 2020. We have concluded that where the other information refers to these inventory balances or related balances such as cost of sales or loss for the year, it may be materially misstated for the same reason.

Other Companies Act 2006 reporting

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Except for the matter described in the basis for qualified opinion section of our report, 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 Strategic report and the Directors' report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the Parent Company.

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:

- or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Perpetuum Limited

Independent Auditor's Report to the Members of Perpetuum Limited (continued)

Responsibilities of directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding, by discussing with management and those charged with governance, of the legal and regulatory frameworks that are applicable to the Group and the industry in which it operates. We considered the significant laws and regulations to be FRS102 and the Companies Act 2006.
- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance. We have corroborated our enquiries through review of Board minutes.
- We have evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override and revenue recognition, and considered that the principal risk were related to the posting of inappropriate journal entries to improve the result before tax for the year. We have addressed this by assessing journal entries as part of our planning audit approach.
- We have obtained an understanding of the controls designed to prevent and detect irregularities.

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

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

Perpetuum Limited

Independent Auditor's Report to the Members of Perpetuum Limited (continued)

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Arbinder Chatwal

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Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 01 October 2021

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

Perpetuum Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2020

	Note	2020 £	As restated 2019 £
Turnover	3	3,326,249	5,040,632
Cost of sales		(402,550)	(2,811,261)
Gross profit		2,923,699	2,229,371
Administrative expenses		(7,311,636)	(9,033,013)
Other operating income	4	441,952	646,312
Operating loss	5	(3,945,985)	(6,157,330)
Interest receivable and similar income		28	344
Interest payable and similar charges	8	(296,650)	(254,941)
Loss before taxation		(4,242,607)	(6,411,927)
Tax on loss	9	818,903	869,386
Loss for the financial year		(3,423,704)	(5,542,541)
Currency translation differences		(10,953)	(3,566)
Total comprehensive loss for the year		(3,434,657)	(5,546,107)
Loss for the year attributable to:			
Owners of the parent company		(3,423,704)	(5,542,541)
Total comprehensive loss for the year attributable to:			
Owners of the parent company		(3,434,657)	(5,546,107)

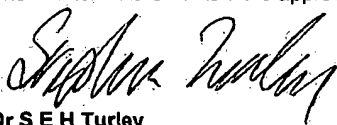
The notes on pages 14 to 30 form part of these financial statements.

Perpetuum Limited
Registered number: 05145240

Consolidated Balance Sheet
As at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	10		336,479		355,985
Current assets					
Stocks	12	1,550,761		1,513,006	
Debtors	13	2,640,477		3,658,645	
Cash at bank and in hand		745,494		1,745,019	
		<u>4,936,732</u>		<u>6,916,670</u>	
Creditors: amounts falling due within one year	14	(3,395,593)		(2,042,917)	
Net current assets			<u>1,541,139</u>		<u>4,873,753</u>
Total assets less current liabilities			<u>1,877,618</u>		<u>5,229,738</u>
Creditors: amounts falling due after more than one year	15	(3,032,786)		(2,985,000)	
Provisions for liabilities	16	(123,411)		(88,660)	
Net (liabilities)/assets			<u>(1,278,579)</u>		<u>2,156,078</u>
Capital and reserves					
Called up share capital	17		21,848		21,848
Share premium account	18		27,001,921		27,001,921
Profit and loss account	18		(28,302,348)		(24,867,691)
Total equity			<u>(1,278,579)</u>		<u>2,156,078</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Dr S E H Turley
Director

Date: 30/6/21

The notes on pages 14 to 30 form part of these financial statements.


Perpetuum Limited
Registered number: 05145240

Company Balance Sheet
As at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	10		336,479		355,985
Investments	11		207,226		207,226
			<u>543,705</u>		<u>563,211</u>
Current assets					
Stocks	12	1,323,493		1,513,006	
Debtors	13	2,684,963		3,900,163	
Cash at bank and in hand		683,483		1,721,239	
		<u>4,691,939</u>		<u>7,134,408</u>	
Creditors: amounts falling due within one year	14	(3,391,938)		(2,283,465)	
Net current assets			<u>1,300,001</u>		<u>4,850,943</u>
Total assets less current liabilities			<u>1,843,706</u>		<u>5,414,154</u>
Creditors: amounts falling due after more than one year	15		(3,032,786)		(2,985,000)
Other provisions	16		(123,411)		(88,660)
Net (liabilities)/assets			<u>(1,312,491)</u>		<u>2,340,494</u>
Capital and reserves					
Called up share capital	17		21,848		21,848
Share premium account	18		27,001,921		27,001,921
Profit and loss account	18		(28,336,260)		(24,683,275)
			<u>(1,312,491)</u>		<u>2,340,494</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £3,652,985 (2019 - £5,392,216).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dr S E H Turley
Director

Date: 30/9/21

The notes on pages 14 to 30 form part of these financial statements.

Perpetuum Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	14,914	19,029,334	(19,321,584)	(277,336)
Loss for the year	-	-	(5,542,541)	(5,542,541)
Currency translation differences	-	-	(3,566)	(3,566)
Shares issued during the year	6,934	7,972,587	-	7,979,521
At 1 January 2020	21,848	27,001,921	(24,867,691)	2,156,078
Loss for the year	-	-	(3,423,704)	(3,423,704)
Currency translation differences	-	-	(10,953)	(10,953)
At 31 December 2020	21,848	27,001,921	(28,302,348)	(1,278,579)

Company Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	14,914	19,029,334	(19,291,059)	(246,811)
Loss for the year	-	-	(5,392,216)	(5,392,216)
Shares issued during the year	6,934	7,972,587	-	7,979,521
At 1 January 2020	21,848	27,001,921	(24,683,275)	2,340,494
Loss for the year	-	-	(3,652,985)	(3,652,985)
At 31 December 2020	21,848	27,001,921	(28,336,260)	(1,312,491)

The notes on pages 14 to 30 form part of these financial statements.

Perpetuum Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(3,423,704)	(5,542,541)
Adjustments for:		
Depreciation of tangible assets	168,476	150,070
Net interest expense	296,622	254,597
Taxation	(807,784)	(869,388)
(Increase) in stocks	(37,755)	(340,756)
Decrease/(increase) in debtors	863,103	(718,630)
Increase/(decrease) in creditors	1,282,688	(771,185)
Increase in provisions	34,751	15,754
R&D tax credits received	962,849	921,524
Foreign exchange	(10,953)	(3,568)
Net cash generated from operating activities	(671,707)	(6,904,119)
Cash flows from investing activities		
Purchase of tangible fixed assets	(41,614)	(189,380)
Interest received	28	344
Net cash from investing activities	(41,586)	(189,016)
Cash flows from financing activities		
Issue of new shares	-	7,979,521
(Decrease)/increase in invoice discounting facility	(119,776)	206,235
Repayment of other loans	(14,189)	(15,000)
Other new loans	60,000	-
Repayment of new finance leases	(38,576)	-
Interest paid	(173,691)	(249,077)
Net cash used in financing activities	(286,232)	7,921,679
Net (decrease)/increase in cash and cash equivalents	(999,525)	828,544
Cash and cash equivalents at beginning of year	1,745,019	916,475
Cash and cash equivalents at the end of year	745,494	1,745,019
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	745,494	1,745,019

The notes on pages 14 to 30 form part of these financial statements.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

Perpetuum Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the group's operations and its principal activity are set out in the strategic report.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 2).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. Accounting policies (continued)

1.3 Going concern

The group's cash position as at 31 December 2020 was £745,494 (2019 - £1,745,019). During the year the group made a loss before tax of £4,242,607 (2019 - £6,411,927).

The directors have prepared forecasts for a period of at least 12 months from the date of approval of these financial statements which includes certain assumptions around the impact of COVID-19 on the group and the timing of new sales orders being obtained. In the event that the group is unable to meet these forecasts, the group may need to raise additional funding to support the operations of the business.

The group was purchased by Hitachi Rail Limited on 1 April 2021. The group considers it likely that Hitachi Rail Limited would provide additional funding if required but there is no formal funding structure in place.

Whilst the group remains loss making at present, it continued to invest in new products to drive future growth as well as expand its current offering and customer base. The directors are fully aware of the current economic climate and the uncertainty it has caused, and will take appropriate strategic decisions to protect the interests of all stakeholders within the business. Therefore, the directors have prepared the financial statements on a going concern basis.

It is, however, considered that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were no longer appropriate.

1.4 Turnover

Turnover comprises the fair value for the sale of goods and services, net of value added tax. Sales of maintenance services are recognised in the accounting period in which the services are rendered. Sales of goods are recognised upon receipt by the customer.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Over the period of the lease
Plant and equipment	- 20% per annum
Fixtures and fittings	- 20% per annum
Office equipment	- 33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

1.6 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

1.9 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

1.10 Foreign currency

Foreign currency transaction are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the consolidated statement of comprehensive income.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. Accounting policies (continued)

1.11 Research and development

Expenditure on pure and applied research is charged to the consolidated statement of comprehensive income in the year in which it is incurred.

1.12 Leased assets

All other leases are treated as operating leases. Their annual rentals are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

1.13 Taxation

Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

1.14 Grants

Grants of a revenue nature are credited to the consolidated statement of comprehensive income so as to match them with the expenditure in which they relate and are disclosed as other operating income.

1.15 Government Grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

1.16 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. Accounting policies (continued)

1.17 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.19 Prior year reclassification

Certain disclosures in the Consolidated Statement of Comprehensive Income have been re-analysed. Turnover and other income have been restated in the prior year. This has increased turnover by £204,253 and decreased other income by the same amount. There has been no effect on the loss for the year or net assets. This relates to the incorrect classification of income where an amount previously recognised as grant income should have been shown as turnover as it related to the sale of goods rather than project funding.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are management's best knowledge of the amount, events or actions, actual amounts ultimately may differ from those estimates.

The directors have made the following critical estimates and judgements deemed to be applicable to the financial statements:

- Determine whether there are indicators of impairment of the company's investments. Factors taken into consideration in reaching such a decision include the economic viability and the expected future performance of the investment.
- Determine whether there are indicators of impairment of the group and parent company's fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine the level of warranty provisions held in respect of free of charge replacement of faulty goods. The level of provision is determined based on monitored and predicted failure rates.

3. Turnover

An analysis of turnover by class of business is as follows:

	2020	As restated 2019
	£	£
Goods	2,307,837	3,986,654
Services	1,018,412	1,053,978
	<u>3,326,249</u>	<u>5,040,632</u>

Analysis of turnover by country of destination:

	2020	As restated 2019
	£	£
United Kingdom	1,183,014	1,098,612
Rest of Europe	374,343	186,907
Rest of the world	1,768,892	3,755,113
	<u>3,326,249</u>	<u>5,040,632</u>

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

4. Other operating income

	2020	As restated 2019
	£	£
Grant Income	441,952	594,502
Research and development expenditure credits	-	51,810
	<u>441,952</u>	<u>646,312</u>

During the year the company received grant income of £336,132 (2019 - £Nil) in respect of furloughed employees under the Coronavirus Job Retention Scheme.

5. Operating loss

The operating loss is stated after charging/(crediting):

	2020	2019
	£	£
Research & development charged as an expense	2,443,294	2,752,907
Depreciation of tangible fixed assets	168,635	33,952
Fees payable to the company's auditor for the audit of the company's annual financial statements	16,000	14,500
Grant Income	(751,437)	(798,755)
Defined contribution pension cost	<u>326,463</u>	<u>286,873</u>

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	3,032,551	2,879,041	3,032,551	2,879,041
Social security costs	339,601	324,960	339,601	324,960
Cost of defined contribution scheme	326,463	286,873	326,463	286,873
	<u>3,698,615</u>	<u>3,490,874</u>	<u>3,698,615</u>	<u>3,490,874</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Administration, commercial and operations	18	17	18	17
Technical and development	45	42	45	42
	<u>63</u>	<u>59</u>	<u>63</u>	<u>59</u>

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	206,891	275,573
Company contributions to defined contribution pension schemes	12,166	12,637
	<u>219,057</u>	<u>288,210</u>

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £109,999 (2019 - £164,169).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,166 (2019 - £12,637).

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

8. Interest payable and similar charges

	2020 £	2019 £
Bank interest payable	4,175	5,966
Other loan interest payable	280,697	246,044
Finance leases and hire purchase contracts	8,228	-
Other interest payable	3,550	2,931
	<u>296,650</u>	<u>254,941</u>

9. Taxation

	2020 £	2019 £
Corporation tax		
Current year R&D tax credit	(818,903)	(918,094)
Adjustments in respect of previous periods	-	48,708
Total current tax	<u>(818,903)</u>	<u>(869,386)</u>

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(4,242,607)</u>	<u>(6,411,927)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(806,095)	(1,218,266)
Effects of:		
Expenses not deductible for tax purposes	(4,271)	101,813
R&D expenditure credits	(350,614)	(392,733)
Adjustments to tax charge in respect of prior periods	-	48,708
Deferred tax not recognised	342,077	591,092
Total tax credit for the year	<u>(818,903)</u>	<u>(869,386)</u>

Factors that may affect future tax credits

At the year end the company has an unrecognised deferred tax asset of £2,950,834 (2019 - £2,370,291) in relation to tax losses and other timing differences.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

10. Tangible fixed assets

Group and Company

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation					
At 1 January 2020	43,292	738,675	72,610	490,106	1,344,683
Additions	-	136,592	5,990	6,547	149,129
At 31 December 2020	43,292	875,267	78,600	496,653	1,493,812
Depreciation					
At 1 January 2020	3,820	530,165	51,011	403,702	988,698
Provided for the year	15,280	93,895	8,360	51,100	168,635
At 31 December 2020	19,100	624,060	59,371	454,802	1,157,333
Net book value					
At 31 December 2020	24,192	251,207	19,229	41,851	336,479
At 31 December 2019	39,472	208,510	21,599	86,404	355,985

All leasehold improvements are considered to be short leasehold.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Plant and machinery	91,253	-

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

11. Fixed asset Investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	207,226
At 31 December 2020	<u>207,226</u>

The additions represent further amounts capitalised in the year in respect of the subsidiary undertaking.

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Secure Rail India Private Limited	Villa No 244, Block Y, Tatvam Villas, Shona Road, Gurgaon, Haryana, India, 122001	Ordinary	100%

12. Stocks

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Raw materials and consumables	565,910	629,385	565,910	629,385
Work in progress	482,488	455,457	482,488	455,457
Finished goods and goods for resale	502,363	428,164	275,095	428,164
	<u>1,550,761</u>	<u>1,513,006</u>	<u>1,323,493</u>	<u>1,513,006</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

13. Debtors: amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	913,467	1,210,364	769,781	1,210,364
Amounts owed by group undertakings	-	-	244,558	241,518
R&D tax credit receivable	814,839	969,904	814,839	969,904
Other debtors	119,957	400,551	69,647	400,551
Prepayments and accrued income	792,214	1,077,826	786,138	1,077,826
	<u>2,640,477</u>	<u>3,658,645</u>	<u>2,684,963</u>	<u>3,900,163</u>

14. Creditors: amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Other loans	23,523	-	20,569	-
Invoice discounting facility	86,459	206,235	86,459	206,235
Trade creditors	485,204	1,118,685	485,205	1,117,715
Other taxation and social security	821,117	99,695	821,117	99,695
Net obligations under finance lease and hire purchase contracts	43,282	-	43,282	-
Other creditors	19,065	19,603	18,363	19,603
Accruals and deferred income	1,916,943	598,699	1,916,943	840,217
	<u>3,395,593</u>	<u>2,042,917</u>	<u>3,391,938</u>	<u>2,283,465</u>

The invoice discounting facility is secured by a first debenture over the fixed and floating assets of the company.

Amounts due under finance leases are secured on the assets to which they relate.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

15. Creditors: amounts falling due after more than one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Other loans	3,007,289	2,985,000	3,007,289	2,985,000
Net obligations under finance leases and hire purchase contracts	25,497	-	25,497	-
	<u>3,032,786</u>	<u>2,985,000</u>	<u>3,032,786</u>	<u>2,985,000</u>

The other loans are secured by a first debenture over the fixed and floating assets of the company. The whole balance is due for repayment in more than one year but less than two years.

Amounts due under finance leases are secured on the assets to which they relate.

16. Provisions for liabilities

Group and Company

	Warranty provision £
At 1 January 2020	88,660
Additions	34,751
At 31 December 2020	<u>123,411</u>

Provisions for liabilities relate to product warranty costs expected to be incurred.

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
4,311,911 Ordinary shares of £0.0005 each	2,156	2,156
2,987,893 Series B shares of £0.0005 each	1,494	1,494
25,597,901 Series C shares of £0.0005 each	12,799	12,799
10,297,899 Series C1 shares of £0.0005 each	5,149	5,149
500,000 Preference shares of £0.0005 each	250	250
	<u>21,848</u>	<u>21,848</u>

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

17. Share capital (continued)

The rights of each class of share is as follows:

Rights to distributable profits

Any profits resolved to be distributed in any financial year shall be distributed among the holders of the Series C1 shares, Series C shares, Series B shares and Ordinary shares pro rata to the number of such shares held (as if all shares constituted one and the same class).

Rights on winding up or return on capital

Upon winding up or return on capital the holders of the Preference shares shall be entitled to the first payment of arrears on shares at par value.

Second, in paying to the holders of the Series C shares an amount equal to the subscription price paid for such shares. Certain holders of the Series C shares are restricted to a return on 90% of their holding at this stage.

Third, in paying to the holders of the Series B shares an amount equal to the subscription price paid for such shares.

Fourth, in paying to the holders of the Ordinary shares issues in 2006 an amount equal to the subscription price paid for such shares. Certain holders of the Ordinary shares are restricted to a return on 90% of their holding at this stage.

Fifth, in paying to the holders of the Ordinary shares issued in 2004 and the Series C1 shares an amount equal to the subscription price paid for such shares.

Finally, in paying to the holders of the Series C1 shares, Series C shares, Series B shares and Ordinary shares pro rata to the number of such shares held (as if all shares constituted one and the same class).

Voting rights

All shares rank pari passu in respect of voting rights.

18. Reserves

The company's capital and reserves are as follows:

Share capital

The called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

19. Share based payments

Approved options

These share options below were granted in respect of the company's EMI share option plan. There were no new Ordinary or Series C share options granted in the year.

	Ordinary 2020	Series C 2020	Ordinary 2019	Series C 2019
Outstanding at the beginning of the year	3,331,261	803,358	3,331,261	803,358
Granted during the year	-	-	-	-
Outstanding at the end of the year	3,331,261	803,358	3,331,261	803,358

The weighted average contractual life was 5.3 years (2019 - 6.3 years) and 2.1 years (2019 - 3.1 years) in respect of the Ordinary and Series C share options respectively. All options had an exercise price of £0.01.

There was no share-based payment charge for the year ended 31 December 2020 (2019 - £Nil) in respect of these share options. Of the options above 2,385,942 (2019 - 2,385,942) and 803,358 (2019 - 803,358) have vested and are capable of being exercised in respect of the Ordinary and Series C share options respectively.

Unapproved options

There were no new Ordinary or Series C share options granted in the year in respect of the unapproved share option plan.

	Ordinary 2020	Series C 2020	Ordinary 2019	Series C 2019
Outstanding at the beginning of the year	110,674	261,886	110,674	261,886
Granted during the year	-	-	-	-
Outstanding at the end of the year	110,674	261,886	110,674	261,886

The weighted average contractual life was 0.9 years (2019 - 1.9 years) and 1.8 years (2019 - 2.8 years) in respect of the Ordinary and Series C share options respectively. All options had an exercise price of £0.01.

There was no share-based payment charge for the year ended 31 December 2020 (2019 - £Nil) in respect of these share options. Of the options above 110,674 (2019 - 110,674) and 261,886 (2019 - 261,886) have vested and are capable of being exercised in respect of the Ordinary and Series C share options respectively.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

20. Analysis of net debt

	At 1 January 2020 £	Cash flows £	New finance leases £	At 31 December 2020 £
Cash at bank and in hand	1,745,019	(999,523)	-	745,496
Invoice discounting facility	(206,235)	119,776	-	(86,459)
Other loans	(2,985,000)	(45,811)	-	(3,030,811)
Finance leases	-	38,576	(107,356)	(68,780)
	<u>(1,446,216)</u>	<u>(886,982)</u>	<u>(107,356)</u>	<u>(2,440,554)</u>

21. Pension commitments

The company operates a defined contributions 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 £326,463 (2019 - £286,873). Contributions totalling £22,661 (2019 - £19,603) were payable to the fund at the balance sheet date.

22. Commitments under operating leases

At 31 December 2020 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	387,670	387,670	387,670	387,670
Later than 1 year and not later than 5 years	229,078	584,668	229,078	584,668
	<u>616,748</u>	<u>972,338</u>	<u>616,748</u>	<u>972,338</u>

23. Related party transactions

During the year ended 31 December 2020, the company incurred costs that were charged to the profit and loss account of £7,695 (2019 - £180,816) with related parties. At the balance sheet date the amount unpaid in respect of these costs was £960 (2019 - £Nil).

These related parties are related through their interest in the company.

24. Post balance sheet events

On 1 April 2021 Perpetuum Limited was purchased by Hitachi Rail Limited.

On 14 June 2021 the group issued a further 10,993,196 C Shares for a consideration of £3.6m. This was used to pay down the group's other loans.

Perpetuum Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

25. Controlling party

The directors consider that at year end no one party controls the company.

As of 1 April 2021, Hitachi Rail Limited are the controlling party.