

**STRATEGIC REPORT, REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021
FOR
ADVANCED INSTRUMENTS LTD.**

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

| | Page |
|---|-------------|
| Strategic Report | 1 |
| Report of the Director | 3 |
| Report of the Independent Auditors | 4 |
| Statement of Comprehensive Income | 7 |
| Balance Sheet | 8 |
| Statement of Changes in Equity | 9 |
| Notes to the Financial Statements | 10 |

**STRATEGIC REPORT
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021**

The director presents her strategic report for the period 1 July 2021 to 31 December 2021.

REVIEW OF BUSINESS

Advanced Instruments Ltd. ("AI") has continued to manufacture and distribute its instruments to customers in the clinical and bio pharm end markets.

The company's performance for the six months ended 31 December 2021 showed total revenues of £6.4m, a pro-rata increase of 23% on the year ended 30 June 2021. Sales growth was driven by very strong buying patterns in the clinical and bio pharm end market reflecting both underlying market demand.

The company generated earnings before interest, taxation, depreciation and amortisation ("EBITDA") of £1.8m (June 2021: £2.4m).

In the view of the directors, the company's key accomplishments, against the high-level strategic objectives for its group, have been:

- To continue to serve our customers in the important UK clinical and biopharma markets with timely delivery of high-quality products.
- To prepare the company for increased investment in research and development.

Beginning in 2022, AI will distribute the products of Advanced Instruments LLC (US), (the sole shareholder of Advanced Instruments Holdings Ltd.) in the UK to customers in the clinical and biopharma end markets.

PRINCIPAL RISKS AND UNCERTAINTIES

Geopolitical events and security of supply

With the increasing prevalence of supply chain disruptions across the industry, the company has sought to mitigate supply chain risk by increasing both inventory levels and committed purchase orders.

Product and market risk

The company is in a very competitive market. It must continue to innovate its products to maintain a leadership position with customers in the cell line development space.

Regulatory risks

Due to the nature of the industry in which we operate, the company is exposed to traditional regulatory risks (associated with the ongoing compliance of its business operations and products). Internal quality and regulatory issues are a core commitment of the Board, so suitable skills and experience are brought to bear to ensure that associated risks are managed.

Economic risks

Financial risks, which are primarily associated with the collectability of accounts receivable, and recoverability of inventory acquired to support key customers. These risks are appropriately managed through detailed oversight of our expert finance team.

STRATEGIC REPORT
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

| Performance measure | | December 2021 | June 2021 | Pro-rata movement % | Commentary |
|---------------------|----|------------------|--------------|------------------------|--|
| Revenue | £m | 6.4 | 10.4 | 23 | The increase in revenue has mainly come through sales to the company's subsidiaries in the US, China and Ireland. |
| Gross profit | £m | 4.3 | 7.7 | 12 | Increased revenue drove the increase in gross profit. |
| Gross margin | % | 67 | 74 | (9) | Purchase costs rose significantly more than revenue, resulting in a reduced gross margin. |
| Operating profit | £m | 2.0 | 2.4 | 68 | A reduction in directors' salaries and a profit on disposal of demo stock assets to the Chinese subsidiary further drove the increase in operating profit. |
| EBITDA | £m | 1.8 | 2.4 | 53 | A reduction in directors' salaries following the purchase of the company by Advanced Instruments Holdings Ltd contributed to increased EBITDA. |

AREAS DEEMED TO BE OF KEY STRATEGIC IMPORTANCELong-range plans

We have a long-range plan for the business that includes continued investment in research and development staff to continuously innovate our products (to meet the needs of our customer base) and to expand our distribution capabilities across Europe.

Employees

To achieve our long range plans we need to attract and retain a talented workforce. We want to provide a challenging and stimulating workplace to both retain, develop and attract new team members.

Business relationships

We are committed to maintain strong relationships with our customers and suppliers. For our customers we seek to understand their unique needs, and to continuously innovate and bring those customers products and services to improve their workflows. Similarly, to serve those customers we need strong relationships with our suppliers to ensure that they are in a position to continue to meet our needs.

Community and environment

We are committed to supporting our community and reducing our CO2 emissions through various means.

FINANCIAL INSTRUMENTS

During the year, the company received an interest-free, unsecured loan from its parent company of £9,969,606. The loan is repayable on demand. As described in note 2 to the financial statements, the director has obtained confirmation from the parent company that it will not require repayment of the loan in the foreseeable future. The director considers the exposure to credit, liquidity and cash flow risk to be limited.

SIGNED BY THE DIRECTOR:

S M Hanlon - Director

20 February 2023

**REPORT OF THE DIRECTOR
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021**

The director presents her report with the financial statements of the company for the period 1 July 2021 to 31 December 2021.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2021.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

DIRECTORS

The directors who have held office during the period from 1 July 2021 to the date of this report are as follows:

J F Burke - resigned 26 August 2021

D L Elverd - resigned 26 August 2021

A L Figg - resigned 26 August 2021

Y Jiang - resigned 26 August 2021

M R Truesdale - resigned 26 August 2021

S M Hanlon - appointed 26 August 2021

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is 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 director is 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 her to ensure that the financial statements comply with the Companies Act 2006. She is 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and she has taken all the steps that she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

SIGNED BY THE DIRECTOR:

S M Hanlon - Director

20 February 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADVANCED INSTRUMENTS LTD.

Opinion

We have audited the financial statements of Advanced Instruments Ltd. (the 'company') for the period ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have 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 Strategic Report or the Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADVANCED INSTRUMENTS LTD.

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page three, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and industry, we considered the risk of non-compliance with laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management override, revenue recognition and the estimation of provisions. Audit procedures performed included:

- Enquiring of management whether there were instances of non-compliance with laws and regulation or fraud;
- Review of legal expenses for evidence of fees relating to non-compliance;
- Challenging assumptions and judgements made by management in determining significant accounting estimates;
- Reviewing journal entries, non-sales bank receipts and non-purchase bank payments for unusual accounting entries; and
- Substantive procedures to test that goods and services provided were recognised as revenue in the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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

Other matter

The comparative amounts are unaudited since the company was not required to have an audit for the year ended 30 June 2021.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ADVANCED INSTRUMENTS LTD.**

Use of our report

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

Mark Crowter BSc FCA (Senior Statutory Auditor)
for and on behalf of Galloways Accounting
Statutory Auditor
Atlas Chambers
33 West Street
Brighton
East Sussex
BN1 2RE

21 February 2023

**STATEMENT OF COMPREHENSIVE
INCOME
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021**

| | | Period 1.7.21 to 31.12.21 | | Year Ended 30.6.21 | |
|--|-------|------------------------------|-------------------------|-----------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| TURNOVER | 3 | | 6,377,332 | | 10,382,992 |
| Cost of sales | | | <u>2,082,054</u> | | <u>2,680,604</u> |
| GROSS PROFIT | | | 4,295,278 | | 7,702,388 |
| Distribution costs | | 72,355 | | 115,653 | |
| Administrative expenses | | <u>2,326,281</u> | | <u>5,357,634</u> | |
| | | | 2,398,636 | | 5,473,287 |
| | | | 1,896,642 | | 2,229,101 |
| Other operating income | | | <u>87,226</u> | | <u>128,495</u> |
| OPERATING PROFIT | | | 1,983,868 | | 2,357,596 |
| Interest receivable and similar income | | | <u>319</u> | | <u>487</u> |
| | | | 1,984,187 | | 2,358,083 |
| Interest payable and similar expenses | 5 | | - | | <u>114</u> |
| PROFIT BEFORE TAXATION | 6 | | 1,984,187 | | 2,357,969 |
| Tax on profit | 7 | | <u>531,848</u> | | <u>84,869</u> |
| PROFIT FOR THE FINANCIAL PERIOD | | | 1,452,339 | | 2,273,100 |
| OTHER COMPREHENSIVE INCOME | | | - | | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | | <u>1,452,339</u> | | |
| Prior year adjustment | | | | | <u>(244,661)</u> |
| TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT | | | | | <u>2,028,439</u> |

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2021

| | Notes | 2021 £ | £ | 2021 £ | £ |
|--|-------|-------------------|-------------------------|------------------|-------------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 8 | | 129,267 | | 118,698 |
| Tangible assets | 9 | | 236,655 | | 332,436 |
| Investments | 10 | | <u>12,143,288</u> | | <u>164,276</u> |
| | | | 12,509,210 | | 615,410 |
| CURRENT ASSETS | | | | | |
| Stocks | 11 | 1,788,703 | | 1,181,785 | |
| Debtors | 12 | 3,950,403 | | 1,790,309 | |
| Cash at bank and in hand | | <u>1,402,063</u> | | <u>4,353,572</u> | |
| | | 7,141,169 | | 7,325,666 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 13 | <u>12,043,949</u> | | <u>1,832,994</u> | |
| NET CURRENT (LIABILITIES)/ASSETS | | | (4,902,780) | | 5,492,672 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 7,606,430 | | 6,108,082 |
| PROVISIONS FOR LIABILITIES | 15 | | <u>168,009</u> | | <u>122,000</u> |
| NET ASSETS | | | <u>7,438,421</u> | | <u>5,986,082</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 16 | | 9 | | 9 |
| Share option reserve | 17 | | - | | 298,094 |
| Retained earnings | 17 | | <u>7,438,412</u> | | <u>5,687,979</u> |
| SHAREHOLDERS' FUNDS | | | <u>7,438,421</u> | | <u>5,986,082</u> |

The financial statements were approved by the director and authorised for issue on 20 February 2023 and were signed by:

S M Hanlon - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021**

| | Called up share capital £ | Retained earnings £ | Share option reserve £ | Total equity £ |
|--|--|------------------------------------|---|-------------------------------|
| Balance at 1 July 2020 | 9 | 3,659,540 | - | 3,659,549 |
| Prior year adjustment | - | (244,661) | - | (244,661) |
| As restated | 9 | 3,414,879 | - | 3,414,888 |
| Changes in equity | | | | |
| Profit for the year | - | 2,273,100 | - | 2,273,100 |
| Total comprehensive income | - | 2,273,100 | - | 2,273,100 |
| Share based payment movement | - | - | 298,094 | 298,094 |
| Balance at 30 June 2021 | 9 | 5,687,979 | 298,094 | 5,986,082 |
| Changes in equity | | | | |
| Profit for the period | - | 1,452,339 | - | 1,452,339 |
| Total comprehensive income | - | 1,452,339 | - | 1,452,339 |
| Share based payment movement | - | 298,094 | (298,094) | - |
| Total transactions with owners, recognised directly in equity | - | 298,094 | (298,094) | - |
| Balance at 31 December 2021 | 9 | 7,438,412 | - | 7,438,421 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021**

1. STATUTORY INFORMATION

Advanced Instruments Ltd. is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address are as below:

| | |
|---------------------------|--|
| Registered number: | 07284911 |
| Registered office: | Solent House Johnson Road Fernside Business Park Wimborne Dorset BH21 7SE |

The presentation currency of the financial statements is the Pound Sterling (£).

The principal activity of the company is the manufacture and sale of cell line development instruments and associated services.

The financial statements are for the six months from 1 July 2021 to 31 December 2021, whereas the comparatives are for the twelve months from 1 July 2020 to 30 June 2021. The balance sheet date was changed to align to the balance sheet date of the company's new parent company. The comparatives are not entirely comparable.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The significant downward shift in the company's balance sheet position to a net current liability of £4,902,780 represents the impact of the funding terms for the investment made to acquire Advanced Instruments (Shanghai) Technology Co., Ltd. The funding for this investment was obtained through the £9,969,606 loan as disclosed in note 13. While the terms of this loan specify it is repayable on demand, a letter of support has been provided by the parent company, confirming repayment of the loan will not be demanded in the near future.

The director's assessment of going concern takes into account the representation provided in the letter of support in conjunction with their assessment of the group's ability to provide such support. Group cash flow forecasts have provided the director with confidence the group will have no need for the loan to be repaid in the near future.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d).

Preparation of consolidated financial statements

The financial statements contain information about Advanced Instruments Ltd. as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Advanced Instruments Holdings Ltd, 5th Floor One New Change, London EC4M 9AF.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Critical accounting judgements 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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Dilapidation provision

Provision is made for dilapidations. This requires management's best estimate of the expenditure that will be incurred based on contractual requirements. The provision has been calculated using market data for properties of a similar nature.

ii. Investments valuation

The company assesses the impairment of investments in subsidiaries whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The company measures the impairment based on a projected future cash flow of the subsidiary, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by the internal management team. The Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

iii. Share-based payments

Share-based payments have been valued using the Black-Scholes model. The company has made estimates and key judgements based around the values used for these Black-Scholes share options calculations. The key inputs to the values used were the market risk-free rate of return, prior year dividend yields, share value at the point of issue of the options and the volatility rate.

Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Sale of goods

Turnover from the sale of machines and consumables is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually on dispatch of the goods.

Rendering of services

When the outcome of a transaction can be estimated reliably, turnover from service agreements is recognised on a straight line basis over the service agreement.

Where the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows (pending patents are not amortised):

| | |
|----------------------|--------------|
| Patents and licences | - 5% on cost |
|----------------------|--------------|

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|--|
| Office equipment | - 20% on cost |
| Plant and machinery | - 33% on cost, 20% on cost and 10% on cost |
| Fixtures and fittings | - 20% on cost |
| Computer equipment | - 50% on cost and 33% on cost |

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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Stock is valued on a first in, first out basis. Work in progress and finished goods are valued for direct material only, and do not include labour or attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment is recognised immediately in the profit and loss.

Financial instruments

The company 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.

Short term debtors and creditors are measured at the transaction price. Other financial instruments, including loans, are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development tax credit

The R&D tax credit is recognised when it is certain that the tax credit in relation to research and development carried out will be received.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued**Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence are all recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

Foreign currencies translation

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

Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pensions

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

Provisions

Provisions are recognised when the company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

Share-based payment

The cost and fair value of the liability incurred in respect of cash-settled share-based payment transactions is measured using an appropriate option pricing model with changes in fair value recognised in profit or loss for the period.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|--------------------------|--|-------------------------------------|
| United Kingdom | 861,934 | 2,206,749 |
| Europe | 709,081 | 1,237,543 |
| United States of America | 3,367,702 | 4,075,429 |
| Asia | 1,409,118 | 2,342,058 |
| Australia | 12,601 | 278,656 |
| Middle East | 16,896 | 242,557 |
| | <u>6,377,332</u> | <u>10,382,992</u> |

Turnover is categorised as following:

| | Period 1.7.21 to 31.12.21 | Year Ended 30.6.21 |
|--------------------------|--------------------------------------|-------------------------------|
| £ £ | | |
| Sale of goods | 6,117,611 | 9,904,974 |
| Rendering of services | <u>259,721</u> | <u>478,018</u> |
| | <u>6,377,332</u> | <u>10,382,992</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

4. EMPLOYEES AND DIRECTORS

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|-----------------------|---|----------------------------|
| Wages and salaries | 1,711,223 | 2,969,557 |
| Social security costs | 203,959 | 348,446 |
| Other pension costs | 50,402 | 59,683 |
| | <u>1,965,584</u> | <u>3,377,686</u> |

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

| | Period 1.7.21 to 31.12.21 | Year Ended 30.6.21 |
|-------------------------------|------------------------------------|-----------------------|
| Production | 31 | 25 |
| Distribution | 7 | 7 |
| Service | 4 | 4 |
| Administration and management | 12 | 11 |
| | <u>54</u> | <u>47</u> |

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|--|---|----------------------------|
| Directors' remuneration | 86,562 | 650,251 |
| Directors' pension contributions to money purchase schemes | <u>3,867</u> | <u>9,739</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>4</u> | <u>4</u> |
|------------------------|----------|----------|

Two directors exercised share options during the period (2021 - no directors).

5. INTEREST PAYABLE AND SIMILAR EXPENSES

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|---------------|---|----------------------------|
| Bank interest | <u>-</u> | <u>114</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

6. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|------------------------------------|---|----------------------------|
| Hire of plant and machinery | 1,801 | 3,613 |
| Other operating leases | 50,038 | 100,077 |
| Depreciation - owned assets | 75,514 | 133,397 |
| Profit on disposal of fixed assets | (160,447) | - |
| Patents and licences amortisation | 2,979 | 5,864 |
| Auditors' remuneration | 24,500 | - |
| Foreign exchange differences | (63,416) | 150,986 |
| Research and development | <u>151,597</u> | <u>291,613</u> |

7. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the period was as follows:

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|-------------------------------------|---|----------------------------|
| Current tax: | | |
| UK corporation tax | 414,903 | 84,869 |
| Prior period under/(over) provision | 68,666 | - |
| Total current tax | <u>483,569</u> | <u>84,869</u> |
| Deferred tax | 48,279 | - |
| Tax on profit | <u>531,848</u> | <u>84,869</u> |

UK corporation tax has been charged at 19% .

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

7. TAXATION - continued**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | Period 1.7.21 to 31.12.21 £ | Year Ended 30.6.21 £ |
|---|--|-------------------------------------|
| Profit before tax | <u>1,984,187</u> | <u>2,357,969</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%) | 376,996 | 448,014 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 19,709 | 74,479 |
| Capital allowances in excess of depreciation | - | (22,196) |
| Depreciation in excess of capital allowances | 18,198 | - |
| Utilisation of tax losses | - | (14,872) |
| Adjustments to tax charge in respect of previous periods | 68,666 | - |
| Expenditure deductible | - | (331,890) |
| Timing difference | - | (68,666) |
| Deferred tax | 48,279 | - |
| Total tax charge | <u>531,848</u> | <u>84,869</u> |

An increase in the UK corporation rate from 19% to 25% is effective from 1 April 2023.

Deferred tax at the balance sheet date have been measured at this tax rate since it was enacted on 24 May 2021.

8. INTANGIBLE FIXED ASSETS

| | Patents and licences £ | Trademarks £ | Totals £ |
|-------------------------|---|-------------------------|-----------------------|
| COST | | | |
| At 1 July 2021 | 159,011 | 1,380 | 160,391 |
| Additions | <u>13,548</u> | <u>-</u> | <u>13,548</u> |
| At 31 December 2021 | <u>172,559</u> | <u>1,380</u> | <u>173,939</u> |
| AMORTISATION | | | |
| At 1 July 2021 | 40,313 | 1,380 | 41,693 |
| Amortisation for period | <u>2,979</u> | <u>-</u> | <u>2,979</u> |
| At 31 December 2021 | <u>43,292</u> | <u>1,380</u> | <u>44,672</u> |
| NET BOOK VALUE | | | |
| At 31 December 2021 | <u>129,267</u> | <u>-</u> | <u>129,267</u> |
| At 30 June 2021 | <u>118,698</u> | <u>-</u> | <u>118,698</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

9. TANGIBLE FIXED ASSETS

| | Office equipment £ | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Totals £ |
|------------------------|--------------------------|-----------------------------|----------------------------------|----------------------------|----------------|
| COST | | | | | |
| At 1 July 2021 | 79,036 | 707,324 | 84,440 | 51,003 | 921,803 |
| Additions | - | 4,898 | 5,100 | 12,793 | 22,791 |
| Disposals | - | (48,472) | - | - | (48,472) |
| At 31 December 2021 | <u>79,036</u> | <u>663,750</u> | <u>89,540</u> | <u>63,796</u> | <u>896,122</u> |
| DEPRECIATION | | | | | |
| At 1 July 2021 | 76,062 | 442,283 | 56,438 | 14,584 | 589,367 |
| Charge for period | 1,102 | 58,298 | 6,038 | 10,076 | 75,514 |
| Eliminated on disposal | - | (5,414) | - | - | (5,414) |
| At 31 December 2021 | <u>77,164</u> | <u>495,167</u> | <u>62,476</u> | <u>24,660</u> | <u>659,467</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2021 | <u>1,872</u> | <u>168,583</u> | <u>27,064</u> | <u>39,136</u> | <u>236,655</u> |
| At 30 June 2021 | <u>2,974</u> | <u>265,041</u> | <u>28,002</u> | <u>36,419</u> | <u>332,436</u> |

10. FIXED ASSET INVESTMENTS

| | Shares in group undertakings £ |
|-----------------------|---|
| COST | |
| At 1 July 2021 | 164,276 |
| Additions | 11,979,012 |
| At 31 December 2021 | <u>12,143,288</u> |
| NET BOOK VALUE | |
| At 31 December 2021 | <u>12,143,288</u> |
| At 30 June 2021 | <u>164,276</u> |

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Solentim, Inc.

Registered office: 600 W. Germantown Pike, Suite 110, Plymouth Meeting, Montgomery, PA, 19462, United States of America

Nature of business: Sales of scientific instruments

| | % holding | 2021 £ | 2021 £ |
|-----------------------------------|--------------|----------------|------------------|
| Class of shares: | | | |
| Ordinary \$1 | 100.00 | | |
| Aggregate capital and reserves | | 508,750 | 188,691 |
| Profit/(loss) for the period/year | | <u>320,059</u> | <u>(169,730)</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 202110. **FIXED ASSET INVESTMENTS - continued****Advanced Instruments (Shanghai) Technology Co., Ltd**

Registered office: Room 721, Building 1, No 22-23, Lane 466, Yindu Road, Minhang District, Shanghai, People's Republic of China

Nature of business: Sale of scientific instruments

| | % holding | 2021 £ | 2021 £ |
|--------------------------------|--------------|------------------|----------------|
| Class of shares: | | | |
| Ordinary RMB1 | 100.00 | | |
| Aggregate capital and reserves | | 1,184,341 | 753,531 |
| Profit for the period/year | | 430,810 | 422,389 |

The shareholding in Advanced Instruments (Shanghai) Technology Co., Ltd increased from 51% to 100% during the period.

Solentim Ireland Limited

Registered office: 6th Floor, Riverpoint, Lower Mallow Street, Limerick, V94 WC6A, Ireland

Nature of business: Sale of scientific instruments

| | % holding | 2021 £ | 2021 £ |
|-----------------------------------|--------------|-----------------|---------------|
| Class of shares: | | | |
| Ordinary €1 | 100.00 | | |
| Aggregate capital and reserves | | 67,185 | 97,383 |
| (Loss)/profit for the period/year | | (30,198) | 97,293 |

11. **STOCKS**

| | 2021 £ | 2021 £ |
|------------------|------------------|------------------|
| Consumables | 16,316 | 6,750 |
| Raw materials | 1,101,728 | 752,497 |
| Work-in-progress | 199,958 | 139,245 |
| Finished goods | 470,701 | 283,293 |
| | 1,788,703 | 1,181,785 |

Stock is stated after provisions for impairment of £20,000 (June 2021: £nil).

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2021 £ | 2021 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 633,840 | 112,047 |
| Amounts owed by group undertakings | 3,057,629 | 1,205,652 |
| Other debtors | 84,447 | 74,067 |
| VAT | - | 106,002 |
| Prepayments and accrued income | 174,487 | 292,541 |
| | 3,950,403 | 1,790,309 |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 | 2021 |
|------------------------------------|-------------------|------------------|
| | £ | £ |
| Trade creditors | 667,710 | 797,293 |
| Amounts owed to group undertakings | 9,969,606 | 235,673 |
| Tax | 462,717 | 66,374 |
| Social security and other taxes | 23,165 | 106,343 |
| Other creditors | 21,177 | 28,027 |
| Accruals and deferred income | 899,574 | 599,284 |
| | <u>12,043,949</u> | <u>1,832,994</u> |

Amounts due to group undertakings includes £9,969,606 (June 2021: £nil) which is an amount due to the company's parent undertaking and is interest-free, unsecured and repayable on demand.

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2021 | 2021 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Within one year | 96,987 | 103,680 |
| Between one and five years | 100,839 | 145,986 |
| | <u>197,826</u> | <u>249,666</u> |

15. PROVISIONS FOR LIABILITIES

| | 2021 | 2021 |
|--|-----------------|-------------------|
| | £ | £ |
| Deferred tax | | |
| Accelerated capital allowances | <u>59,164</u> | <u>10,885</u> |
| Other provisions | | |
| Warranty provision | 8,845 | 11,115 |
| Dilapidation provision | <u>100,000</u> | <u>100,000</u> |
| | <u>108,845</u> | <u>111,115</u> |
| Aggregate amounts | <u>168,009</u> | <u>122,000</u> |
| | Deferred | Other |
| | tax | provisions |
| | £ | £ |
| Balance at 1 July 2021 | 10,885 | 111,115 |
| Charge/(credit) to Statement of Comprehensive Income during period | <u>48,279</u> | <u>(2,270)</u> |
| Balance at 31 December 2021 | <u>59,164</u> | <u>108,845</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

15. PROVISIONS FOR LIABILITIES - continued

The deferred tax liability expected to reverse in 2022 is £14,250. This relates to the reversal of timing differences on acquired tangible assets and capital allowances through depreciation.

Other provisions include £100,000 for dilapidations (June 2021: £100,000) and £8,845 for warranties (June 2021: £11,115).

Dilapidations provision

As part of the company's property leasing arrangements there is an obligation to repair damages which are incurred during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised between 2022 and 2024 as the leases terminate.

Warranty provision

The company provides warranties for its instruments. The provision is an estimate of the expected costs to be incurred based on historical costs.

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2021 £ | 2021 £ |
|---------|----------|----------------|-----------|-----------|
| 96,300 | Ordinary | £0.0001 | <u>9</u> | <u>9</u> |

The shares have full voting, dividend and capital distribution rights.

17. RESERVES

| | Retained earnings £ | Share option reserve £ | Totals £ |
|------------------------------|------------------------|---------------------------|------------------|
| At 1 July 2021 | 5,687,979 | 298,094 | 5,986,073 |
| Profit for the period | 1,452,339 | | 1,452,339 |
| Share based payment movement | 298,094 | (298,094) | - |
| At 31 December 2021 | <u>7,438,412</u> | <u>-</u> | <u>7,438,412</u> |

18. PENSION COMMITMENTS

The company operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £50,402 (June 2021: £59,683).

19. ULTIMATE PARENT COMPANY

Advanced Instruments Limited is a subsidiary undertaking of Advanced Instruments Holdings Limited, which is the immediate parent company. It's registered office is 5th Floor One New Change, London EC4M 9AF.

The ultimate parent company is Investor AB, a company incorporated in Sweden. Its registered office is Arsenalsgatan 8C, 103 32 Stockholm.

Advanced Instruments Holdings Limited is the smallest group to consolidate these financial statements. The consolidated financial statements for Advanced Instruments Holdings Limited are publicly available and can be obtained from www.find-and-update.company-information.service.gov.uk. Investor AB is the largest group to consolidate these financial statements. The consolidated financial statements for Investor AB are publicly available and can be obtained from www.investorab.com.

20. CONTINGENT LIABILITIES

There are fixed and floating charges in place over the company's assets as security for loans of \$220 million to group undertakings. A further \$15 million was borrowed under the facility after the year end.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2021 TO 31 DECEMBER 2021

21. RELATED PARTY DISCLOSURES**Entities over which the entity has control, joint control or significant influence**

| | 2021 | 2021 |
|-------------------------------|----------------|----------------|
| | £ | £ |
| Sales | 179,716 | 966,393 |
| Amount due from related party | <u>-</u> | <u>975,350</u> |

22. POST BALANCE SHEET EVENTS

On 31 May 2022, the company changed its name from Solentim Ltd to Advanced Instruments Ltd.

On 1 June 2022, Advanced Instrument Ltd's parent company hived down its trade and assets at net book value to Advanced Instruments Ltd.

On 1 August 2022, the company acquired 100% of the issued share capital of SAL Scientific Limited for total consideration of £5,010,245.

23. SHARE-BASED PAYMENT TRANSACTIONS

Certain employees of the company have been granted options over the shares in Advanced Instruments Limited. The options were granted with a fixed exercise price, are exercisable on an exit event and expire ten years after the date of grant.

The charge recognised in these financial statements is £nil (2021: £288,094).

A reconciliation of share option movements over the period to 31 December 2021 is shown below:

| | December 2021 number | Weighted average exercise price (£) | June 2021 number | Weighted average exercise price (£) |
|--------------------------------------|-------------------------|--|---------------------|--|
| Outstanding at 1 July | 6,000 | 923.10 | 3,000 | 1,573.00 |
| Granted during the year | - | - | 3,000 | 273.20 |
| Exercised during the year | (6,000) | 923.10 | - | - |
| Outstanding at 31 December (30 June) | <u>-</u> | | <u>6,000</u> | |
| Exercisable at 31 December (30 June) | <u>-</u> | <u>-</u> | <u>6,000</u> | <u>923.10</u> |

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