

Company Registration No. 11031998 (England and Wales)

EPISTEM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

PAGES FOR FILING WITH REGISTRAR

 **mha**
MOORE & SMALLEY

EPISTEM LIMITED

CONTENTS

	Page
Balance sheet	1
Statement of changes in equity	2
Notes to the financial statements	3 - 10

EPISTEM LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Intangible assets	3		33,913		1,359,646
Tangible assets	4		473,136		548,265
			<u>507,049</u>		<u>1,907,911</u>
Current assets					
Stocks		21,000		14,745	
Debtors	5	657,001		1,055,549	
Cash at bank and in hand		2,000,654		616,244	
		<u>2,678,655</u>		<u>1,686,538</u>	
Creditors: amounts falling due within one year	6	<u>(1,845,754)</u>		<u>(809,754)</u>	
Net current assets			<u>832,901</u>		<u>876,784</u>
Total assets less current liabilities			<u>1,339,950</u>		<u>2,784,695</u>
Creditors: amounts falling due after more than one year	7		(3,071,370)		(2,767,834)
Provisions for liabilities			<u>(86,208)</u>		<u>-</u>
Net (liabilities)/assets			<u><u>(1,817,628)</u></u>		<u><u>16,861</u></u>
Capital and reserves					
Called up share capital	9		117		110
Share premium account			423,270		423,270
Profit and loss reserves			<u>(2,241,015)</u>		<u>(406,519)</u>
Shareholders' (deficit)/funds			<u><u>(1,817,628)</u></u>		<u><u>16,861</u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2021 and are signed on its behalf by:

Mr J A Fullerton-Batten
Director

Company Registration No. 11031998

EPISTEM LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital	Share premium	Profit and loss reserves	Total	
Notes	£	account £	£	£	
Balance at 1 January 2019	104	398,819	(210,358)	188,565	
Year ended 31 December 2019:					
Loss and total comprehensive income for the year	-	-	(196,161)	(196,161)	
Issue of share capital	9	6	24,451	-	24,457
Balance at 31 December 2019	110	423,270	(406,519)	16,861	
Year ended 31 December 2020:					
Loss and total comprehensive income for the year	-	-	(1,834,496)	(1,834,496)	
Issue of share capital	9	7	-	-	7
Balance at 31 December 2020	117	423,270	(2,241,015)	(1,817,628)	

EPISTEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Epistem Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Incubator Building, Grafton Street, Manchester, M13 9XX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The Directors have prepared detailed profit and loss, cashflow and balance sheet projections displaying the company's ability to operate within the available financing facilities for the period of at least 12 months from the date of these accounts. In preparing these projections, the Directors have taken into consideration the impact on the company of the Covid-19 pandemic, reflecting the inherent uncertainties and constraints caused by the pandemic in their assumptions, primarily those around revenue, and the timing of certain creditor payments.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has sufficient headroom within its existing facilities to continue trading for a period not less than 12 months from the date of approval, notwithstanding this the directors have the support of a Coronavirus Business Interruption Loan. Although not expected to be needed, if necessary the Directors are confident of securing additional support from certain shareholders of the company.

Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

EPISTEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 6 years.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents & licences	18-60 months straight line
--------------------	----------------------------

Amortisation rates were deemed to be accurate, however subject to impairment testing at the year end it was deemed appropriate to write down the remaining value of goodwill to nil.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% straight line
Fixtures and fittings	25% straight line
Computers	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost, which comprises direct materials and estimated selling price less costs to complete and sell.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

EPISTEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

EPISTEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Total	33	28

EPISTEM LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****3 Intangible fixed assets**

	Goodwill	Other	Total
	£	£	£
Cost			
At 1 January 2020 and 31 December 2020	1,752,308	48,290	1,800,598
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
At 1 January 2020	438,077	2,875	440,952
Amortisation charged for the year	292,051	11,502	303,553
Impairment	1,022,180	-	1,022,180
	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,752,308	14,377	1,766,685
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2020	-	33,913	33,913
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	1,314,231	45,415	1,359,646
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 January 2020	751,608
Additions	131,504
	<hr/>
At 31 December 2020	883,112
	<hr/>
Depreciation and impairment	
At 1 January 2020	203,343
Depreciation charged in the year	206,633
	<hr/>
At 31 December 2020	409,976
	<hr/>
Carrying amount	
At 31 December 2020	473,136
	<hr/> <hr/>
At 31 December 2019	548,265
	<hr/> <hr/>

EPISTEM LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020**

5 Debtors	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	350,775	545,409
Corporation tax recoverable	109,222	139,642
Other debtors	24,831	23,797
Prepayments and accrued income	172,173	163,834
	<u>657,001</u>	<u>872,682</u>
	2020	2019
	£	£
Amounts falling due after more than one year:		
Other debtors	-	144,625
Deferred tax asset	-	38,242
	<u>-</u>	<u>182,867</u>
Total debtors	<u>657,001</u>	<u>1,055,549</u>
6 Creditors: amounts falling due within one year	2020	2019
	£	£
Obligations under finance leases	129,096	42,119
Trade creditors	688,373	131,032
Taxation and social security	217,632	38,869
Other creditors	207,301	251,576
Accruals and deferred income	603,352	346,158
	<u>1,845,754</u>	<u>809,754</u>
Obligations under finance leases are secured on the assets to which they relate.		
7 Creditors: amounts falling due after more than one year	2020	2019
	£	£
Obligations under finance leases	165,737	130,865
Other creditors	2,905,633	2,636,969
	<u>3,071,370</u>	<u>2,767,834</u>

EPISTEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Creditors: amounts falling due after more than one year (Continued)

The aggregate of secured creditors under finance leases are secured on the assets to which they relate. The other borrowings of £2,298,966 (2019: £2,089,969) are secured by way of a fixed and floating charge covering all property and undertaking of the company.

8 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities	Assets
	2020	2019
	£	£
Balances:		
Fixed asset timing differences	89,896	(93,205)
Short term timing differences - trading	(3,688)	1,512
Short term timing differences - non trading	-	(935)
Losses	-	83,747
R&D expenditure credit	-	47,123
	<u>86,208</u>	<u>38,242</u>
		2020
Movements in the year:		£
Asset at 1 January 2020		(38,242)
Charge to profit or loss		124,450
		<u>86,208</u>
Liability at 31 December 2020		<u>86,208</u>

9 Called up share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
6667 Ordinary A Shares of 1p each	67	67
1703 Ordinary B1 Shares of 1p each	17	17
834 (2018: 556) Ordinary B2 shares of 2p each	17	17
852 Ordinary C shares of 1p each	9	9
666 Ordinary D shares of 1p each	7	-
	<u>117</u>	<u>110</u>

During the year 666 D Ordinary shares of 1p each were issued at par. The Directors consider there to be no difference between par value and fair value.

EPISTEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Alexander Kelly.
The auditor was MHA Moore and Smalley.

11 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

2020	2019
£	£
-	70,457
<u> </u>	<u> </u>

12 Related party transactions

Other information

On 8 June 2018, the company entered into a loan agreement with Foresight Regional Investment LP, a shareholder. The principal amount of £1,800,000 was used to fund the acquisition of specific trading activities from Genedrive PLC. the loan bears an annual interest charge of 10% and is repayable on 6 June 2023. During the year purchases made from Foresight Group LLP amounted to £36,073. At the period end the interest accrued of £498,966 (2019: £289,969) and the principal amount of £1,800,000 (2019: £1,800,000) was included within other borrowings falling due after more than one year.

During a previous period, the company entered into a loan agreement with J Tudor, a director. The loan bears an annual interest charge of 1%. During the year the account accrued interest of £96 At the balance sheet date the company was owed £9,702 (2019: £9,606) by J Tudor. This is included within other debtors due in less than o n e y e a r .

During a previous period, the company entered into a loan agreement with B J Reed, a director. The loan bears an annual interest charge of 1%. During the year repayments were made of £15,000 and the account accrued interest of £95. At the balance sheet date the company was owed £9,614 (2019: £24,519) by B J Reed. This is included within other debtors due in less than one year.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.