

Registered number: 2774777

ACAMBIS RESEARCH LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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ACAMBIS RESEARCH LIMITED

COMPANY INFORMATION

DIRECTORS

X Coron
P Grillet
A Prosser (appointed 26 March 2014)

REGISTERED NUMBER

2774777

REGISTERED OFFICE

One Onslow Street
Guildford
Surrey
GU1 4YS

INDEPENDENT AUDITOR

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

ACAMBIS RESEARCH LIMITED

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ACAMBIS RESEARCH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report for the year ended 31 December 2013

BUSINESS REVIEW

The principal activity of the company is outsourced research, and product development in relation to vaccines.

The key financial performance indicators during the year were as follows:

	2013	2012	% change
Turnover	6,818	9,192	-26%
Operating loss	15,542	18,590	-16%
Shareholders' funds	66,198	78,326	-15%

Turnover reduced by 26% as a result of a reduction in royalty received on the smallpox vaccine.

Operating losses reduced by 16% owing to a reduction in R&D projects allocated to the company in comparison with the prior year.

Shareholders' funds decreased by 15% due to retained losses.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's operations expose it to a variety of risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The company complies with the sanofi (the company's ultimate parent undertaking) policies and risk management program that seeks to limit the adverse effect of these risks on the company. In order to ensure stability of cash outflows and hence manage interest rate risk for the group, sanofi manages the risk of fluctuation of interest rates on behalf of all companies within the group and uses derivative financial instruments to do this.

Price risk

The company is not materially exposed to commodity price risk as a result of its operations, and therefore believes that the costs of managing these risks outweigh any potential benefit. The directors will revisit the appropriateness of this policy should the company's level of exposure materially increase in the future. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers, before sales are made. Where finance is required to meet the cash flow needs of the company the United Kingdom treasury department, with the approval of the directors, obtain this from sanofi who in turn manages the external risk across the worldwide group.

Liquidity risk

The company is financed through intercompany current and loan accounts and also has in place arrangements with sanofi to ensure the availability of sufficient funds for the company's ongoing operations, should additional funds be required for operations or planned expansions.

Interest rate cash flow risk

The company has interest bearing assets. Short term interest bearing assets include amounts receivable from other fellow subsidiaries within the United Kingdom which earn interest at LIBOR minus 15 basis points. Long term interest bearing amounts receivable from other fellow subsidiaries earn interest at a LIBOR plus 15 basis points. No interest is charged on balances due to or receivable from fellow dormant subsidiaries within the United Kingdom.

ACAMBIS RESEARCH LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2013**

Foreign exchange risk

Sanofi operates a foreign exchange risk hedging policy to reduce the exposure of operating income to fluctuations in foreign currencies, particularly the US dollar and the Euro but also other currencies where required. In order to mitigate these fluctuations the company is required to enter into derivative contracts with sanofi. The policy involves regular assessments of the Group's worldwide foreign currency exposure, based on budget estimates of foreign-currency transactions to be carried out by the parent company and its subsidiaries. These transactions mainly comprise sales, purchases, research costs, co-marketing and co-promotion expenses, and royalties. To reduce the exposure of these transactions to exchange rate movements, sanofi contracts economic hedges using liquid financial instruments such as forward purchases and sales of currency.

This report was approved by the board on 19 FEBRUARY 2015 and signed on its behalf.

**A Prosser
Director**



ACAMBIS RESEARCH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £12,128,000 (2012 - loss £14,039,000).

The directors do not recommend the payment of a dividend in respect of the year (2012 - £NIL).

DIRECTORS

The directors who served during the year were:

X Coron
P Grillet

A Prosser was appointed as director on 26 March 2014.

Sanofi maintains liability insurance for the directors and officers of all group companies. Sanofi has also provided an indemnity for the directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

FUTURE DEVELOPMENTS

The company remains focused on key R&D projects and will continue to receive royalties for its intellectual property. Sanofi, the ultimate parent company, is in support of Acambis' future activities. It is anticipated that the research activities of the company will, in the medium term, yield successful results and bring the company to a profitable position.

RESEARCH AND DEVELOPMENT ACTIVITIES

The company incurred research and development costs of £16,819,000 for the current year (2012 - £21,196,000) which have been written off in accordance with the company's accounting policy within administrative expenses.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 FEBRUARY 2015 and signed on its behalf.



A Prosser
Director

ACAMBIS RESEARCH LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the 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 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

ACAMBIS RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACAMBIS RESEARCH LIMITED

We have audited the financial statements of Acambis Research Limited for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

ACAMBIS RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACAMBIS RESEARCH LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Ernst & Young LLP

Rebecca Farmer (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP

Reading

Date: 19 FEBRUARY 2015

ACAMBIS RESEARCH LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
TURNOVER	2	6,818	9,192
Cost of sales		(5,290)	(6,667)
GROSS PROFIT		1,528	2,525
Administrative expenses		(16,996)	(21,061)
Other operating charges		(74)	(54)
OPERATING LOSS	4	(15,542)	(18,590)
Interest receivable and similar income	5	286	376
Interest payable and similar charges	6	(35)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(15,291)	(18,214)
Tax on loss on ordinary activities	7	3,163	4,175
LOSS FOR THE FINANCIAL YEAR		(12,128)	(14,039)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and Loss Account.

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

The notes on pages 9 to 15 form part of these financial statements.

ACAMBIS RESEARCH LIMITED
REGISTERED NUMBER: 2774777

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	£000	2012 £000
Intangible assets	8				
CURRENT ASSETS					
Debtors	9	69,033		82,339	
CREDITORS: amounts falling due within one year	11	(2,835)		(4,013)	
NET CURRENT ASSETS			66,198		78,326
NET ASSETS			66,198		78,326
CAPITAL AND RESERVES					
Called up share capital	13		1,240		1,240
Share premium account	14		200,133		200,133
Profit and loss account	14		(135,175)		(123,047)
SHAREHOLDERS' FUNDS	15		66,198		78,326

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11/2/15


A Prosser
 Director

The notes on pages 9 to 15 form part of these financial statements.

ACAMBIS RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements and going concern

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The directors have reviewed the ability of the entity to repay its debts as they fall due and believe that the company has sufficient assets to meet this demand, therefore, the financial statements have been prepared on a going concern basis.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Intellectual property rights are stated at historic cost less amortisation and impairment.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.6 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by sanofi whose accounts are publicly available.

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Exchange gains and losses are recognised in the Profit and Loss Account.

Transactions denominated in foreign currencies are translated at the booking rate of exchange ruling for the month in which the transaction is first recognised. The booking rate of exchange for a month is the average rate for the preceding month, because this is assessed to approximate the spot rate at the date of the transaction.

ACAMBIS RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.8 Derivative financial instruments

Derivatives are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the profit and loss account, because the company does not have any instruments which meet the requirements of a cash flow hedge.

1.9 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2. TURNOVER

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

	2013 £000	2012 £000
North America and Canada	6,818	9,192

All turnover originates in the United Kingdom.

3. STAFF COSTS

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

	2013 No.	2012 No.
Selling, general and administration	2	2

There are no employees other than the directors.

Directors' emoluments are paid by another group company. Directors' services to the company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly no directors' remuneration is paid by the company.

4. OPERATING LOSS

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

	2013 £000	2012 £000
Difference on foreign exchange	104	(202)
Research and development expenditure written off	16,819	21,196

During the year, no director received any emoluments (2012 - £NIL).

Auditors' remuneration of £1,840 (2012 - £4,000) was borne by another group company in the current year.

ACAMBIS RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. INTEREST RECEIVABLE

	2013	2012
	£000	£000
Interest receivable from group companies	286	376

6. INTEREST PAYABLE

	2013	2012
	£000	£000
On loans from group undertakings	35	-

7. TAXATION

	2013	2012
	£000	£000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	105	167
	105	167
Group taxation relief	(3,884)	(4,867)
Total current tax	(3,779)	(4,700)
Deferred tax		
Origination and reversal of timing differences	193	223
Effect of increased / decreased tax rate on opening balance	423	302
Total deferred tax (see note 12)	616	525
Tax on loss on ordinary activities	(3,163)	(4,175)

The company has surrendered the benefit of tax losses to another group company for a consideration of £3,884,000 (2012 - £4,867,000) which has been set against the amounts owed to group companies. Accordingly, no tax losses are available to carry-forward.

ACAMBIS RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. TAXATION (continued)

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2012 - *lower than*) the standard rate of corporation tax in the UK of 23.247% (2012 - 24.497%). The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before tax	(15,291)	(18,214)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.247% (2012 - 24.497%)	(3,555)	(4,462)
Effects of:		
Capital allowances for year in excess of depreciation	(224)	(238)
Current tax credit for the year (see note above)	(3,779)	(4,700)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 24% to 23% was substantively enacted on 3 July 2012 and is effective from 1 April 2013. A hybrid rate of 23.247% therefore applies to the current tax charge arising during the period.

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A rate of 20% has therefore been applied to the deferred tax asset at the balance sheet date.

8. INTANGIBLE FIXED ASSETS

	Intellectual Property £000
Cost	
At 1 January 2013 and 31 December 2013	23,244
Amortisation	
At 1 January 2013 and 31 December 2013	23,244
Net book value	
At 31 December 2013	-

ACAMBIS RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. DEBTORS

	2013 £000	2012 £000
Due after more than one year		
Deferred tax asset (see note 12)	2,630	3,246
Due within one year		
Amounts owed by group undertakings	66,389	79,050
Other debtors	1	-
Financial derivatives	13	43
	69,033	82,339

The amounts owed by group undertakings are unsecured, and have no fixed date of repayment. Amounts relating to trading balances owed by non-UK companies and balances owed by dormant companies are interest free, all other balances carry interest at LIBOR minus 15 basis points.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 £000 Assets	2013 £000 Liabilities	2012 £000 Assets	2012 £000 Liabilities
Foreign currency contracts	13	90	43	74

	2013 £000	2012 £000
(Loss) / gain in profit and loss account	(145)	66

Sanofi group operates a foreign exchange risk policy to reduce the exposure of operating income to fluctuations in foreign currencies, particularly the US dollar but also other currencies when required. The policy involves regular assessments of the group's worldwide foreign currency exposure, based on budget estimates of foreign-currency transactions to be carried out by the parent company and its subsidiaries. These transactions mainly comprise sales, purchases, research costs, co-marketing and co-promotion expenses, and royalties. To reduce the exposure of these transactions to exchange rate movements, sanofi group contracts economic hedges using liquid financial instruments such as forward purchases and sales of currency.

ACAMBIS RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. CREDITORS:
Amounts falling due within one year

	2013 £000	2012 £000
Financial derivatives	90	74
Amounts owed to group undertakings	2,640	3,772
Corporation tax	105	167
	<u>2,835</u>	<u>4,013</u>

The amounts owed to group undertakings are unsecured, and have no fixed date of repayment. Amounts relating to trading balances owed to non-UK companies and balances owed to dormant companies are interest free, all other balances carry interest at LIBOR plus 15 basis points.

12. DEFERRED TAX ASSET

	2013 £000	2012 £000
At beginning of year	3,246	3,771
Deferred tax charged in the P&L account for the period	(616)	(525)
	<u>2,630</u>	<u>3,246</u>

The deferred tax asset is made up as follows:

	2013 £000	2012 £000
Accelerated capital allowances	2,630	3,246
Tax losses carried forward	7,387	8,495
Tax losses carried forward unrecognised	(7,387)	(8,495)
	<u>2,630</u>	<u>3,246</u>

The deferred tax asset in respect of tax losses generated in the period prior to the acquisition of the Acambis plc group by sanofi in September 2008 are not recognised as there is no expectation that they will be recoverable in the foreseeable future.

13. SHARE CAPITAL

	2013 £000	2012 £000
Allotted, called up and fully paid		
1,240,213 Ordinary shares of £1 each	<u>1,240</u>	<u>1,240</u>

ACAMBIS RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

14. RESERVES

	Share premium account £000	Profit and loss account £000
At 1 January 2013	200,133	(123,047)
Loss for the financial year	-	(12,128)
At 31 December 2013	<u>200,133</u>	<u>(135,175)</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Opening shareholders' funds	78,326	92,365
Loss for the financial year	(12,128)	(14,039)
Closing shareholders' funds	<u>66,198</u>	<u>78,326</u>

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Sanofi Pasteur Holding Limited. The ultimate parent undertaking and controlling party is sanofi, a company incorporated in France. Sanofi is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2013. The consolidated financial statements of sanofi are available from: sanofi, 54, Rue La Boétie, 75008 Paris, France.