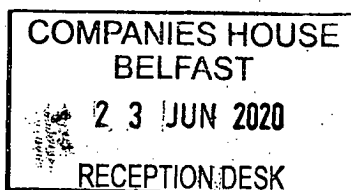


Almac Group Limited
Annual report and financial statements
for the year ended 30 September 2019



Almac Group Limited

Annual report and financial statements for the year ended 30 September 2019

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Directors and advisers

Directors

A D Armstrong
C Hayburn
S Campbell
K Stephens
N Harkin (appointed 1 August 2019)

Company secretary

C Hayburn

Registered office

Almac House
20 Seagoe Industrial Estate
Craigavon
BT63 5QD

Solicitors

Carson McDowell LLP
Murray House
4 Murray Street
Belfast
BT1 6DN

Bankers

Danske Bank
Donegall Square West
Belfast
BT1 6JS

Bank of America
100 Federal Street
Boston
MA 02110
United States of America

Wells Fargo Bank N.A.
Meetinghouse Business Center
2240 Butler Pike
Plymouth Meeting
PA 19462
United States of America

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Group strategic report for the year ended 30 September 2019

The directors present their strategic report for the group and the parent company for the year ended 30 September 2019.

Principal activities and review of the business

Almac Group Limited is a private limited company incorporated and registered in the United Kingdom and limited by shares. The company is domiciled in Northern Ireland. The parent company's registered office is detailed on page 1.

The parent company is a holding investment company and it also provides significant operational and other support functions to the Almac group of companies.

The activities of the group extend from drug discovery through all areas of clinical trials to the commercialisation of pharmaceutical products. The group provides world-class integrated research and development support and an unparalleled range of services to customers, including the market leaders, within the pharmaceutical and biotechnology sectors.

The group's strategy is to create shareholder value by investing for the long term and by positioning the group to be the leader in its chosen markets. The performance for the year under review reflects further sustained progress towards achieving this long term objective and at the same time maintaining the group's strong balance sheet.

Performance and position

The group's profit before income tax for the year is £47,646,334 (2018: £27,611,587). The Group's profit after income tax is £38,983,067 (2018: £21,202,962). Net assets of the Group are £445,115,117 (2018: £402,471,899).

In 2019, revenues increased significantly resulting in improved operating profits for many of our group companies. Larger exchange gains on financing activities in 2019 also contributed to the improvement in the group profit before tax.

During the year ended 30 September 2019, the group continued to invest in both focused research and development programmes and capital to facilitate further improvement in the services provided to its customers.

The Board are confident that the investment programme currently being implemented will lead to results in line with the stated objective of creating long term shareholder value.

Key performance indicators ("KPIs")

The directors consider that, given the nature of the group's operations, the KPIs are growth in revenue, earnings before interest, tax, depreciation, amortisation and research and development expenditure ("EBITDA before research and development expenditure") and employee numbers. These are reviewed on a regular basis within the operating companies.

	2019	2018
Growth in revenue	+16%	+3%
EBITDA before research and development expenditure	£79,502,905	£60,963,187
Employee numbers	5,150	4,798

Group strategic report for the year ended 30 September 2019**Principal risks and uncertainties**

The management of the business and the execution of the group and company's strategy are subject to a number of risks. The principal issues are discussed below:

Competition

The group operates in competitive global markets and aims to provide excellent products and services at competitive prices. These factors are continually reviewed in each business to ensure appropriate margins are being realised and that the quality of service and products is of the highest standard and consistently improving. Quality systems are maintained according to current good manufacturing practice and international quality standards.

Performance is affected by market pressure to reduce prices, together with the increasing impact of low cost generics. The emergence of services provided from countries with low labour costs is also a major competitive factor in the marketplace.

Employees

The group's performance is largely dependent on its staff and therefore the reliance on key individuals together with the continuing ability to attract people with relevant experience and skills are important factors in ensuring the success of the group. To mitigate these risks, the group has training, learning and development programmes in place and has implemented a number of incentive schemes linked to the group's performance that are designed to retain key individuals and provide attractive long-term career opportunities.

Supply chain

Other risks faced are product availability and the fluctuation in prices of both raw materials and consumables. The security of product supply is monitored by the businesses on an ongoing basis with regular reviews of such key factors as supplier financial strength, product quality and service levels. The group's continual review of market prices provides some protection from the potentially adverse impact of volatility in raw material prices.

Future developments

The group intends to continue its commitment to research and development and capital investment to provide innovative solutions and services to its customers.

There are many challenges facing the pharmaceutical and biotech markets with the introduction of new technologies and the emergence of new global competitors. The group believes it is well positioned to meet these future challenges and opportunities within this changing market place.

Environment

The group recognises its corporate responsibility to carry out its operations whilst ensuring that there is minimal environmental impact. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The group is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

Group strategic report for the year ended 30 September 2019

Going concern

The directors have prepared cash flow forecasts for a period of at least twelve months from the date of signing this report and consequently have a reasonable expectation that the group has adequate financial resources to meet its operational needs for at least a period of twelve months from the date the financial statements are signed and therefore the going concern basis has been adopted in preparing the financial statements.

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

A handwritten signature in black ink, appearing to read 'K Stephens', with a long horizontal flourish extending to the right.

K Stephens
Director

17 December 2019

Directors' report for the year ended 30 September 2019

The directors present their annual report and the audited financial statements of the group and the parent company for the year ended 30 September 2019. A review of the business, position at the year end and future developments are detailed in the Group strategic report and included in this report by cross reference.

Financial risk management

The group's operations expose it to a variety of financial risks that include market risk (including price risk and interest rate risk), foreign exchange risk, credit risk and liquidity risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring the foregoing risks and ensuring that the balance sheet strength is maintained at all times.

Price risk

The group does not have a major exposure to commodity price risk as a result of its operations and is not exposed to equity securities price risk as it holds no listed investments.

Interest rate risk

The group's interest rate risk arises from borrowings which are a combination of overdrafts, bank borrowings, term loans, loans from related parties and finance lease liabilities. Interest bearing assets consist of short-term bank deposits. Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. The group manages these risks by a mixture of variable interest rates on overdrafts, bank borrowings and loans from related parties linked to LIBOR or UK Bank of England base rate and fixed rate interest on the group's finance lease liabilities. The interest rates are monitored on a regular basis with reference to movements in global interest rates and the potential impact upon the group's cost of borrowing. Further commentary is provided in note 2.

Foreign exchange risk

Whilst the main part of the group's revenues and expenses are denominated in UK pounds sterling, the group is exposed to foreign exchange risk in the normal course of business, principally on sales in US dollars and investment in its overseas operations, principally in the USA. Group policy is to minimise the exposure of overseas subsidiaries to transaction risk by matching local currency income and costs. While the group has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the Board. Credit risk also arises from cash and cash equivalents with banks and financial institutions. Banking arrangements are reviewed and regularly reassessed by the board.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flow. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

Dividends

The overriding objectives of the Almac Group are to:

- Strategically develop and expand a world class Group of companies operating in the Pharmaceutical and Biotech sectors; and
- Adhere to the healthcare objectives of the McClay Foundation, thereby protecting the legacy of the Group's Founder, Sir Allen McClay, and his vision for the Foundation and its charitable purposes.

Directors' report for the year ended 30 September 2019**Dividends (continued)**

Those objectives are reflected in the Strategic Goals adopted by Almac which include, amongst others:

- remaining owned by The McClay Foundation;
- continuing Group wide innovation;
- achievement of best-in-class business offerings;
- maintaining and improving profit margins; and
- cultivating a desirable place to work.

In order to achieve its objectives and meet those strategic goals, Almac has developed ambitious capital and research and development programmes requiring significant on-going investment in its trading subsidiaries and the R&D programmes they are engaged in. That investment is funded primarily by bank borrowings and the reinvestment of all profits generated from the group's trading activities back into Almac and its subsidiaries. As a consequence, no dividends were paid during the year (2018: £nil) and the directors do not recommend payment of a final dividend (2018: £nil).

Research and development activities

The group is strongly committed to research and development activities in the areas of clinical diagnostics and drug discovery in order to secure and enhance its market position. Research expenditure in the year totalled £8,850,655 (2018: £9,404,593) and was expensed as incurred. This is stated before the deduction of £1,049,181 (2018: £993,457) of research and development tax credits. A further £2,739,865 (2018: £2,922,198) of research and development tax credits has been deducted from other expenses. No development expenditure was incurred during the year (2018: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements are shown on page 1.

Political donations

No donations for political purposes were made during the year (2018: £nil).

Employees

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in objectives.

The group is committed to employment policies, which follow best practice based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled, where possible, the group continues employment, either in the same or an alternative position with appropriate retraining being given if necessary.

Directors' report for the year ended 30 September 2019

Statement of disclosure of information to auditors

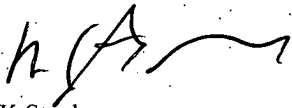
So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the parent company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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



K Stephens

Director

17 December 2019

Statement of directors' responsibilities in respect of the financial statements

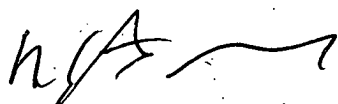
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.



K Stephens
Director

17 December 2019

Independent auditors' report to the members of Almac Group Limited**Report on the audit of the financial statements**

Opinion

In our opinion, Almac Group Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the group and parent company balance sheets as at 30 September 2019; the group income statement and statement of comprehensive income, the group and parent company cash flow statements, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Almac Group Limited (continued)*Strategic Report and Directors' Report (continued)*

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and directors' report.

Responsibilities for the financial statements and the audit*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

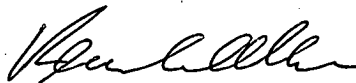
This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
18 December 2019

Group income statement for the year ended 30 September 2019

	Note	2019 £	2018 £
Continuing operations			
Revenue	4	634,279,795	548,887,906
Cost of sales	5	(426,642,456)	(368,292,454)
Gross profit		207,637,339	180,595,452
Distribution costs	5	(29,915,353)	(28,990,795)
Administrative expenses	5	(126,433,012)	(116,205,104)
Research and development net expenditure	5	(7,801,474)	(8,411,136)
Operating profit		43,487,500	26,988,417
Operating profit is analysed as:			
Operating profit before depreciation, amortisation and research and development expenditure ("EBITDA")		79,502,905	60,963,187
Depreciation of property, plant and equipment		(19,590,811)	(16,989,333)
Amortisation of intangible assets		(8,623,120)	(8,574,301)
Research and development net expenditure		(7,801,474)	(8,411,136)
Finance costs	6	(1,239,491)	(808,114)
Finance income	6	5,398,325	1,431,284
Finance income – net	6	4,158,834	623,170
Profit before income tax		47,646,334	27,611,587
Income tax expense	8	(8,663,267)	(6,408,625)
Profit for the year		38,983,067	21,202,962

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

Group statement of comprehensive income for the year ended 30 September 2019

	2019 £	2018 £
Profit for the year	38,983,067	21,202,962
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	3,609,551	3,211,774
Total other comprehensive income for the year	3,609,551	3,211,774
Total comprehensive income for the year	42,592,618	24,414,736

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity
For the year ended 30 September 2019

Attributable to owners of the parent

Group	Share capital £	Share premium £	Currency translation reserve £	Retained earnings £	Total equity £
At 1 October 2017	15,282,039	173,800,592	30,097,583	158,801,947	377,982,161
Comprehensive income					
Profit for the year	-	-	-	21,202,962	21,202,962
Other comprehensive income					
Currency translation differences	-	-	3,211,774	-	3,211,774
Total comprehensive income	-	-	3,211,774	21,202,962	24,414,736
Transactions with owners recognised directly in equity					
Issue of share capital	8,523	66,479	-	-	75,002
At 1 October 2018	15,290,562	173,867,071	33,309,357	180,004,909	402,471,899
Comprehensive income					
Profit for the year	-	-	-	38,983,067	38,983,067
Other comprehensive income					
Currency translation differences	-	-	3,609,551	-	3,609,551
Total comprehensive income	-	-	3,609,551	38,983,067	42,592,618
Transactions with owners recognised directly in equity					
Issue of share capital (note 22)	5,750	44,850	-	-	50,600
At 30 September 2019	15,296,312	173,911,921	36,918,908	218,987,976	445,115,117

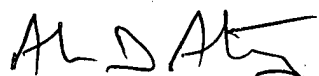
Company	Share capital £	Share premium £	(Accumulated losses)/retained earnings £	Total equity £
At 1 October 2017	15,282,039	173,800,592	(634,086)	188,448,545
Comprehensive income - Profit for the year and total comprehensive income	-	-	1,759,847	1,759,847
Transactions with owners recognised directly in equity				
Issue of share capital	8,523	66,479	-	75,002
At 1 October 2018	15,290,562	173,867,071	1,125,761	190,283,394
Arising on the adoption of IFRS 9 (note 15)	-	-	(26,713,523)	(26,713,523)
Comprehensive income - Profit for the year and total comprehensive income	-	-	454,010	454,010
Transactions with owners recognised directly in equity				
Issue of share capital (note 22)	5,750	44,850	-	50,600
At 30 September 2019	15,296,312	173,911,921	(25,133,752)	164,074,481

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

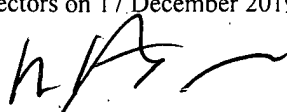
Group balance sheet as at 30 September 2019

	Note	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	9	292,412,075	260,721,288
Goodwill	10	84,270,784	82,532,841
Other intangible assets	11	30,910,375	34,286,719
Deferred income tax asset	13	2,054,227	1,904,034
Total non-current assets		409,647,461	379,444,882
Current assets			
Inventories	14	29,418,075	24,545,471
Current income tax asset		4,526,874	4,648,976
Trade and other receivables	15	154,353,975	143,851,900
Cash and cash equivalents	16	27,401,069	28,936,762
Total current assets		215,699,993	201,983,109
Total assets		625,347,454	581,427,991
Equity and liabilities			
Liabilities			
Current liabilities			
Borrowings	17	20,912,251	11,011,454
Trade and other payables	18	111,910,960	111,464,222
Current income tax liabilities		550,525	1,021,379
Total current liabilities		133,373,736	123,497,055
Non-current liabilities			
Borrowings	17	3,243,698	7,645,910
Deferred income tax liabilities	13	11,596,508	10,727,138
Deferred income	19	16,269,150	16,362,245
Other non-current liabilities	20	12,524,179	14,191,638
Provisions for liabilities and charges	21	3,225,066	6,532,106
Total non-current liabilities		46,858,601	55,459,037
Total liabilities		180,232,337	178,956,092
Equity attributable to owners of the parent			
Share capital	22	15,296,312	15,290,562
Share premium	22	173,911,921	173,867,071
Currency translation reserve		36,918,908	33,309,357
Retained earnings		218,987,976	180,004,909
Total equity		445,115,117	402,471,899
Total equity and liabilities		625,347,454	581,427,991

The notes on pages 18 to 59 are an integral part of these consolidated financial statements. The financial statements on pages 11 to 59 were authorised for issue by the Board of directors on 17 December 2019 and were signed on their behalf by:



A D Armstrong (Director)




K Stephens (Director)

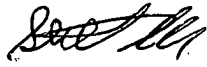
Registered number: NI 041551

Parent company balance sheet as at 30 September 2019

	Note	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	9	9,905,372	9,609,648
Other intangible assets	11	1,155,711	1,574,154
Investments in subsidiaries	12	175,620,913	173,401,018
Deferred income tax assets	13	774,260	1,111,123
Total non-current assets		187,456,256	185,695,943
Current assets			
Trade and other receivables	15	282,419,449	275,482,053
Cash and cash equivalents	16	-	6,534,486
Total current assets		282,419,449	282,016,539
Total assets		469,875,705	467,712,482
Equity and liabilities			
Liabilities			
Current liabilities			
Borrowings	17	266,157,704	229,925,332
Trade and other payables	18	26,808,773	27,220,968
Current income tax liabilities		-	366,750
Total current liabilities		292,966,477	257,513,050
Non-current liabilities			
Borrowings	17	9,525,626	14,712,453
Deferred income	19	1,355	2,123
Other non-current liabilities	20	3,307,766	5,201,462
Total non-current liabilities		12,834,747	19,916,038
Total liabilities		305,801,224	277,429,088
Equity attributable to owners of the parent			
Share capital	22	15,296,312	15,290,562
Share premium	22	173,911,921	173,867,071
(Accumulated losses)/retained earnings			
At 1 October		1,125,761	(634,086)
Profit for the year		454,010	1,759,847
Adjustment arising on adoption of IFRS 9	15	(26,713,523)	-
At 30 September		(25,133,752)	1,125,761
Total equity		164,074,481	190,283,394
Total equity and liabilities		469,875,705	467,712,482

The notes on pages 18 to 59 are an integral part of these financial statements. The financial statements on pages 11 to 59 were authorised for issue by the Board of directors on 17 December 2019 and were signed on their behalf by:


A.D. Armstrong (Director)


S. Campbell (Director)

Registered Number NI041551

Group cash flow statement for the year ended 30 September 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	24	47,744,886	50,362,609
Finance costs		(1,239,491)	(808,114)
Income tax paid		(4,606,680)	(3,015,245)
Net cash generated from operating activities		41,898,715	46,539,250
Cash flows from investing activities			
Purchase of intangible assets		(4,951,087)	(7,217,483)
Purchase of property, plant and equipment		(46,392,860)	(31,669,736)
Capital grants received		1,883,628	1,943,189
Purchase of subsidiary (net of cash acquired)		(48,790)	(12,123,931)
Proceeds from disposal of property, plant and equipment		155,490	17,962
Finance income		84,037	1,431,284
Net cash used in investing activities		(49,269,582)	(47,618,715)
Cash flows from financing activities			
Finance lease principal payments		(109,151)	(458,235)
Issue of share capital		50,600	75,002
New loans received net of repayment of borrowings		(3,793,479)	(3,142,958)
Repayments to related parties (net)		(357,140)	(1,229,604)
Net used in financing activities		(4,209,170)	(4,755,795)
Net decrease in cash and cash equivalents		(11,580,037)	(5,835,260)
Effect of foreign exchange movement on cash and cash equivalents		366,218	(1,133,419)
Cash, cash equivalents and overdrafts at beginning of the year		22,623,488	29,592,167
Cash, cash equivalents and overdrafts at end of the year	16	11,409,669	22,623,488

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

Parent company cash flow statement for the year ended 30 September 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	24	1,366,980	979,042
Finance costs		(9,439,892)	(6,958,961)
Net cash used in operating activities		(8,072,912)	(5,979,919)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,714,227)	(2,426,944)
Purchase of intangible assets		(162,534)	(689,374)
Investment in subsidiary undertakings		(2,219,895)	-
Advances to group undertakings		(40,337,800)	(40,135,253)
Finance income		15,612,089	10,606,134
Net cash used in investing activities		(28,822,367)	(32,645,437)
Cash flows from financing activities			
Finance lease principal payments		(67,924)	(279,899)
Advancements from/(repayment of) borrowings		(3,102,060)	(2,555,714)
Advances from group undertakings		27,162,951	39,234,139
Repayments to related parties		(357,140)	(357,140)
Issue of share capital		50,600	75,002
Net cash generated from financing activities		23,686,427	36,116,388
Net decrease in cash and cash equivalents		(13,208,852)	(2,508,968)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,508,004	4,016,972
Cash, cash equivalents and bank overdrafts at end of the year	16	(11,700,848)	1,508,004

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 30 September 2019**1 Accounting policies****General information**

The group's principal activities during the year extend from drug discovery through all areas of clinical trials to the commercialisation of pharmaceutical products. The financial statements are presented in UK pound sterling. Almac Group Limited is a private limited company incorporated and registered in the United Kingdom and limited by shares. The company is domiciled in Northern Ireland. The company's registered address is detailed on page 1. The financial statements were approved by the Board of directors on 17 December 2019.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and in accordance with IFRS's as adopted by the European Union, IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 as applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Management has concluded that there are no critical assumptions, estimates or judgements involving a high degree of judgement or complexity which require further disclosure.

Certain comparative amounts in the financial statements have been reclassified to conform to changes in presentation in the current year.

The group's accounting policies are detailed below.

Parent company profit and loss account

The directors' have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement for the company alone. The profit for the year ended 30 September 2019 is £454,010 (2018: £1,759,847)

New standards, amendments and interpretations effective in the year to 30 September 2019

The accounting policies set out below are those that the group has adopted under International Financial Reporting Standards as adopted by the European Union for the year ended 30 September 2019. No standards have been adopted by the company for the first time during the financial year beginning on or after 1 October 2018 that have had a material impact on the company, with the exception of the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" which are explained below.

The main impact on the group of adopting IFRS 9 "Financial instruments" was expected to arise from the implementation of the expected credit loss model, and in particular the impact on provisioning for expected losses on trade receivable balances. This has now been assessed and there was no material impact on equity at 1 October 2018. The impact of the adoption of IFRS 9 on the company is disclosed in note 15.

The introduction of IFRS 15 "Revenue from contracts with customers" did not have a material impact on the financial statements. Using the five stage approach under IFRS 15 the company's revenue recognition points were not materially different to the revenue recognition points under IAS 18. IFRS 15 requires new disclosures in respect of contract assets, contract liabilities and revenue split between at a point in time and over time.

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the company

The following new standards, new interpretations, and amendments to standards and interpretations that are not yet effective and have not been adopted early by the company:

- IFRS 17 Insurance Contracts (effective 1 January 2021) (*)

Notes to the financial statements for the year ended 30 September 2019 (continued)

1 Accounting policies (continued)

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the company (continued)

- Amendments to References to the Conceptual Framework (effective 1 January 2020) (*)
- Amendment to IFRS 3 Business Combinations (effective 1 January 2020) (*)
- Amendments to IAS 1 and IAS 8 Definition of material (effective 1 January 2020) (*)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020) (*)
- Annual improvements to IFRS 2015-2017 cycle (effective 1 January 2019)
- Amendments to IAS 19 Plan amendment, curtailment or settlement (effective 1 January 2019)
- Amendments to IAS 28 Long term interests in Joint Ventures and Associates (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax treatments (effective 1 January 2019)
- Amendments to IFRS 9 Prepayment features with negative compensation (effective 1 January 2019)
- IFRS 16 Leases (effective 1 January 2019)

The introduction of these new standards, interpretations and amendments is not expected to have a material impact on the group, with the exception of IFRS 16 Leases.

The introduction of IFRS 16 Leases is expected to result in a lease liability of approximately £70,135,842 as at 1 October 2019, a right of use asset of approximately £64,707,660 as at 1 October 2019 and a decrease in retained earnings of approximately £5,428,182 as at 1 October 2019.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Notes to the financial statements for the year ended 30 September 2019 (continued)

1 Accounting policies (continued)

Basis of consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Property, plant and equipment

Land and buildings comprise mainly offices, leasehold improvements and laboratories. Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

No depreciation is charged on land, nor on assets in the course of construction until such time as they are brought into use. For all other assets depreciation is calculated to write off the cost less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, or the life of the project, whichever is earlier. The principal annual rates used are as follows:

	%
Buildings	2 - 12.5
Plant and machinery	10
Fixtures, fittings and computer equipment	10 - 25
Motor vehicles	25

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

Capitalisation of finance costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)****Intangible assets***Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Computer software and software under development

The costs of acquiring and bringing into use computer software are capitalised and amortised on a straight-line basis over the estimated useful economic life of the software which is between three to ten years.

Capitalised software development costs include external direct costs of material and services together with direct labour costs relating to software development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product licences

Product licences acquired are capitalised and amortised over their useful economic life which is between one to twelve years. They are carried at historical cost less accumulated amortisation and impairment losses.

Research and development

Expenditure on research is written off in the year in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met.

Research and development tax credits

Under UK tax legislation introduced in the 2013 Finance Bill research and development credits can be claimed against qualifying research and development expenditure. Where these credits are not expected to be restricted by the PAYE/NI cap included within the legislation then the credit is, in substance, a government grant. The group has elected to treat such credits as a government grant and recognise the credits in the same period as the research and development expenditure arises.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)****Impairment of non-financial assets**

Assets that have an indefinite useful economic life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped by cash generating unit. Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication, the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter, any excess is recognised in profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Financial assets**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company include cash and cash equivalents, trade and other receivables, and favourable derivative financial instruments. Financial liabilities of the Company include trade and other payables, borrowings and unfavourable derivative financial instruments.

Initial recognition and measurement

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the instrument.

The Company classifies its financial assets in the following measurement categories:

- i) Those to be measured at amortised costs; and
- ii) Those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit and loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies its financial assets when and only when its business model for managing those assets changes.

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial liabilities are classified as financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost or as derivatives.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)**

Financial liabilities are recognised at fair value plus, in the case of financial instruments not at fair value through profit and loss (i.e. loans and receivables and other financial liabilities), transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs directly attributable to financial liabilities which are measured at fair value (i.e. fair value through profit and loss or derivatives) are recognised in the income statement as incurred.

Subsequent measurement

Subsequent to recognition, financial assets and liabilities are measured according to the category to which they are classified.

(a) Financial assets

Subsequent measurement of financial assets depends on the Company's business model for managing those financial assets and the cash flow characteristics of those financial assets. The Company only has financial assets classified at amortised cost. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss.

(b) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

(c) Other financial liabilities

Trade and other payables and borrowings (including amounts due to related parties) are classified as other financial liabilities and are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method (see below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)****Impairment of a financial asset**

The Company assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the Company applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. For other receivables the Company applies the three stage model to determine expected credit losses.

Fair value of financial instruments

Fair value amounts disclosed in these financial statements represent the Company's estimate of the price at which a financial instrument could be exchanged in an arm's length market transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the most advantageous active market for that instrument to which the Company has immediate access. However, where there is no active market for the Company's financial instruments, the Company determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. These calculations represent management's best estimates based on a range of methods and assumptions. Since they are based on estimates the fair values may not be realised in an actual sale or immediate settlement of the instruments.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Provisions

Provisions for medical claims under the group's self-insured medical scheme are recognised where: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)****Investments in subsidiaries**

Investments in subsidiaries are held as non-current assets and are recorded at cost, which is the fair value of the consideration paid, less any provision for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the group statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. In the group balance sheet, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)****Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful economic life of the asset and the lease term.

Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected useful economic lives of the related assets.

Non-controlling interests

Losses applicable to a minority shareholder in a consolidated subsidiary are allocated against the majority interest except to the extent that the minority has a binding obligation, and is financially able to cover losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority shareholders until the minority's share of losses previously absorbed by the majority has been recovered.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements for the year ended 30 September 2019 (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the group's activities. Revenue is shown net of value-added tax and after eliminating sales within the group. The group has a number of revenue streams across its divisions as follows:

a. *Provision of custom chemical synthesis, diagnostic services and full time equivalent staff to customer specified projects*

These services meet the criteria to be recognised over time as the business has the right to receive payment as performance progresses or, in the case of the provision of full time equivalent staff to customer specified projects, the customer simultaneously receives and consumes economic benefit as the services provided.

b. *Packaging and distribution and sale of pharmaceutical products*

For contracts for the sale of pharmaceutical products, the performance obligation is the acceptance or delivery of the item. Revenue is recognised at the point in time when the customer obtains control of the goods based on the delivery terms of the contract.

c. *Product packaging, labelling, storage and shipping*

The group undertakes these services in support of clinical trials. These are treated as separate performance obligations as the customer can benefit from each separately as they are distinct promises within the respective contracts. As the business has the right to receive payment as the contract progresses revenue is recognised over time.

d. *Design, Development, Validation and Maintenance of Interactive Response Technology*

Within the Clinical Technologies division Almac develops customer solutions in support of clinical trials capable of testing and evaluating pharmaceutical drug efficacy and capturing the results of related clinical trials. This may also include the maintenance and support of the system and management of the drug supply chain throughout the clinical trial. Revenue is recognised over time as the business has the right to receive payment as performance progresses.

e. *Project Management and Procurement Services*

The group performs project management and procurement services on a variety of contracts. The performance obligation is the completion of these services which meet the criteria to be recognised over time as the customer simultaneously receives and consumes the benefits as the performance progresses.

Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in UK pound sterling, which is the group's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within administrative expenses. The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised as a separate component of equity in a currency translation reserve.

Notes to the financial statements for the year ended 30 September 2019 (continued)**1 Accounting policies (continued)****Employee benefit trust**

The group's share of the assets of the Almac Employee Benefit Trust and the Almac Offshore Employee Benefit Trust, which are both employee benefit trusts, have been incorporated within the group's balance sheet under the appropriate asset categories.

Pension obligations

The group operates a defined contribution plan for employees whereby the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

The group issues cash-settled phantom share-based payments to certain employees of the company for their services to the group. The group accounts for these phantom share based payments as cash-settled phantom share-based payments which are measured at fair value and recognised as an expense in the income statement with a corresponding increase in liabilities (within accruals). The fair values of these payments are measured at each reporting date using professional external valuers, in line with the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the group's estimate of the number of awards which will lapse due to employees leaving the group prior to vesting. The total amount recognised in the income statement as an expense is adjusted to reflect the actual amount of awards that are expected to vest, except where forfeiture is due to employee's termination of contract.

2 Financial risk management**Financial risk factors**

The group's operations expose it to a variety of financial risks that include price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring the foregoing risks.

(a) Market risk**(i) Price risk**

The group is not exposed to commodity price risk as a result of its operations nor is the group exposed to equity securities price risk as it holds no listed equity investments.

(ii) Interest rate risk

The group's interest rate risk arises from borrowings which are a combination of overdrafts, bank borrowings, term loans, loans from related parties and finance lease liabilities. Interest bearing assets consist of short-term bank deposits. Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. The group manages these risks by a mixture of variable interest rates on overdrafts, bank borrowings and loans from related parties linked to LIBOR or UK Bank of England base rate and fixed rate interest on the group's finance lease liabilities. The interest rate is monitored on a regular basis with reference to movements in global interest rates and the potential impact upon the group's cost of borrowing.

If average interest rates over the year had increased/decreased by 1% with all other variables held constant, the financial statements would have been impacted as follows:

Notes to the financial statements for the year ended 30 September 2019 (continued)

2 Financial risk management (continued)

	2019		2018	
	Impact on post-tax profits £'000	Impact on equity £'000	Impact on post-tax profits £'000	Impact on equity £'000
Interest rates increase by 1%	(193)	(193)	(237)	(237)
Interest rates decrease by 1%	193	193	237	237

(ii) Foreign exchange risk

While the greater part of the group's revenues and expenses are denominated in UK pound sterling, the group is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on sales in US dollars and in Euros. Group policy is to minimise the exposure of overseas subsidiaries to transaction risk by matching local currency income and costs. While the group has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

If the US dollar had weakened / strengthened by 10% against the UK pound sterling spot rate on 30 September with all other variables held constant, the financial statements would have been impacted as follows:

	2019		2018	
	Impact on post-tax profits £'000	Impact on equity £'000	Impact on post-tax profits £'000	Impact on equity £'000
US dollar weakens by 10% against UK pound sterling	(4,081)	(4,081)	(2,973)	(2,973)
US dollar strengthens by 10% against UK pound sterling	4,988	4,988	3,634	3,634

The figures above reflect retranslation of the group's investment in foreign subsidiaries. The directors do not regard the group's foreign exchange exposure on sales in Euro as significant.

(b) Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The amount of exposure to individual customers is subject to limits, which are reassessed regularly by the Board. Credit risk also arises from cash and cash equivalents with banks and financial institutions. Banking arrangements are reviewed and regularly reassessed by the board.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

3 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the financial statements for the year ended 30 September 2019 (continued)

3 Capital risk management (continued)

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt/net funds divided by total capital. Net debt is calculated as total borrowings (current and non-current) as shown in the group balance sheet less cash and cash equivalents. Total capital is calculated as equity as shown in the group balance sheet plus net debt.

The gearing ratios at 30 September were as follows:

Group	2019 £	2018 £
Total borrowings (note 17)	24,155,949	18,657,364
Less: cash and cash equivalents (note 16)	(27,401,069)	(28,936,762)
Net funds	(3,245,120)	(10,279,398)
Total equity	445,115,117	402,471,899
Total capital	441,869,997	392,192,501
Gearing ratio	(0.7%)	(2.6%)

The group's strategy is to maintain an appropriate mix of debt and equity consistent with fulfilling long-term growth plans.

4 Revenue

Revenue is attributable to the group's principal activities carried out in the United Kingdom, the United States of America, Asia and the Republic of Ireland. No analysis of revenue is presented as the directors consider such disclosure to be seriously prejudicial to the group's and company's interests.

Timing of revenue is as follows:

	2019 £	2018 £
Point in Time	143,569,542	128,217,114
Over Time	490,710,253	420,670,792
Total	634,279,795	548,887,906

5 Expenses by nature

Group	2019 £	2018 £
Changes in inventories of finished goods and work in progress	(2,777,619)	48,806
Raw materials and consumables used	159,831,326	137,862,274
Employee benefits expense - net of capitalised software development costs (note 7)	260,200,632	231,134,232
Depreciation and amortisation	28,213,931	25,563,634
Operating lease payments	6,176,208	5,712,890
Transfer from capital grant reserve (note 19)	(2,166,237)	(2,221,991)
Revenue grants	(2,494,252)	(2,837,774)
Profit on disposal of property, plant and equipment and intangibles	(24,753)	(6,262)
Other expenses*	143,833,059	126,643,680
Total cost of sales, distribution costs, administrative expenses and research and development expenditure	590,792,295	521,899,489

*Research and development expenditure of £7,801,474 (2018: £8,411,136) is included within other expenses and is stated after the deduction of £1,049,181 (2018: £993,457) of research and development tax credits. A further £2,739,865 (2018: £2,922,198) of research and development tax credits has been deducted from other expenses.

Notes to the financial statements for the year ended 30 September 2019 (continued)

5 Expenses by nature (continued)

Services provided by the group and company's auditors and their associates

During the year the group (including its overseas subsidiaries) obtained the following services from the group's auditors and their associates:

Group	2019 £	2018 £
Fees payable to the group's auditors for the audit of parent company and consolidated financial statements	13,927	13,719
Fees payable to the group's auditors and its associates for other services:		
- the audit of the company's subsidiaries pursuant to legislation	247,547	233,152
- tax services	235,905	263,612
- other services	47,725	84,204

6 Finance income - net

Group	2019 £	2018 £
Interest expense:		
Interest payable on bank borrowings	(778,275)	(616,786)
Interest payable on related party loans	(11,717)	(18,679)
Interest payable on other loans	(1,004)	(6,592)
Interest payable on finance leases	(6,891)	(10,480)
Other financing costs	(441,604)	(155,577)
Finance costs	(1,239,491)	(808,114)
Interest income:		
Interest receivable on bank deposits	84,037	20,735
Foreign exchange gains on financing activities	5,314,288	1,410,549
Finance income	5,398,325	1,431,284
Finance income - net	4,158,834	623,170

Notes to the financial statements for the year ended 30 September 2019 (continued)

7 Employees and directors

Group and Company	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Staff costs during the year:				
Wages and salaries (including capitalised software development costs)	231,278,003	206,616,524	15,978,852	16,872,662
Social security costs	19,922,651	17,711,180	1,793,459	1,620,094
Other pension costs (note 25)	6,853,470	5,639,473	665,071	537,931
Share based payment costs (note 29)	2,761,987	1,783,765	786,577	369,460
	260,816,111	231,750,942	19,223,959	19,400,147

The wages and salary costs includes £615,479 (2018: £616,710) of capitalised labour costs.

Group and Company	Group		Company	
	2019	2018	2019	2018
	Number	Number	£	£
Average monthly number of persons employed (including directors) during the year by activity:				
Production	4,012	3,756	-	-
Sales and marketing	230	209	-	-
Administration	845	758	392	364
Research and development	63	75	-	-
	5,150	4,798	392	364

Key management compensation

Group	2019	2018
	£	£
Salaries and other short term employee benefits	8,936,012	8,944,229
Pension costs - defined contributions plans	118,382	178,902

The key management compensation given above includes directors and senior managers.

Directors	2019	2018
	£	£
Aggregate emoluments	2,522,985	1,806,283
Pension costs - defined contributions plans	20,728	36,818

Five (2018: four) directors have retirement benefits accruing under a defined contribution plan. Four (2018: four) directors have exercised phantom share options in the year.

Highest paid director	2019	2018
	£	£
Aggregate emoluments	756,586	577,516

The highest paid director exercised phantom share options in the year and during the previous year.

Notes to the financial statements for the year ended 30 September 2019 (continued)

8 Income tax expense

	2019 £	2018 £
Current tax		
UK corporation tax	8,245,145	5,296,447
Overseas tax	228,057	404,379
Adjustment in respect of previous periods	(438,991)	(152,681)
Total current tax expense	8,034,211	5,548,145
Deferred tax		
Origination and reversal of temporary differences	473,690	625,981
Adjustment in respect of previous periods	155,366	234,499
Total deferred tax charge (note 13)	629,056	860,480
Income tax expense	8,663,267	6,408,625

The tax on the group's profit before income tax differs from (2018: differs from) the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019 £	2018 £
Profit before income tax	47,646,334	27,611,587
Profit before income tax at the UK standard rate of 19% (2018: 19%)	9,052,803	5,246,202
Effects of:		
Expenses not deductible for tax purposes	246,332	1,794,643
Effect of changes in overseas tax rates	146,865	(519,889)
Movement in deferred tax not provided	(197,629)	70,165
Group relief not paid	55,887	58,847
Adjustments in respect of previous periods	(283,625)	81,818
Changes in tax laws and rates	(120,344)	(180,761)
Research and development tax credits	(237,022)	(142,400)
Income tax expense	8,663,267	6,408,625

Notes to the financial statements for the year ended 30 September 2019 (continued)

9 Property, plant and equipment

Group	Land and buildings £	Assets in the course of construction £	Plant and machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
Cost						
At 1 October 2017	202,304,572	23,479,217	95,292,001	47,067,350	380,840	368,523,980
On acquisition	298,288	-	417,670	40,048	11,115	767,121
Transfers	23,012,226	(23,905,132)	594,498	205,151	-	(93,257)
Additions	11,033,407	3,181,464	15,672,493	4,511,839	36,535	34,435,738
Disposals	-	-	(43,964)	-	(21,561)	(65,525)
Exchange adjustment	2,887,438	8,595	576,487	617,820	7,846	4,098,186
At 1 October 2018	239,535,931	2,764,144	112,509,185	52,442,208	414,775	407,666,243
Transfers	1,229,473	(1,759,672)	603,867	(73,668)	-	-
Additions	11,407,461	5,688,518	20,373,575	8,887,124	36,182	46,392,860
Disposals	(74,634)	-	(163,508)	(342)	(29,485)	(267,969)
Exchange adjustment	5,446,058	420	1,050,435	1,287,991	13,630	7,798,534
At 30 September 2019	257,544,289	6,693,410	134,373,554	62,543,313	435,102	461,589,668
Accumulated depreciation and aggregate impairments						
At 1 October 2017	39,660,023	-	57,273,759	31,388,474	289,401	128,611,657
Charge for the year	5,819,957	-	6,921,796	4,207,586	39,994	16,989,333
Disposals	-	-	(32,264)	-	(21,561)	(53,825)
Exchange adjustment	552,456	-	348,341	489,964	7,029	1,397,790
At 1 October 2018	46,032,436	-	64,511,632	36,086,024	314,863	146,944,955
Charge for the year	5,972,703	-	8,639,597	4,938,073	40,438	19,590,811
Disposals	-	-	(140,761)	-	(29,485)	(170,246)
Exchange adjustment	1,133,877	-	683,729	982,097	12,370	2,812,073
At 30 September 2019	53,139,016	-	73,694,197	42,006,194	338,186	169,177,593
Net book amount						
At 30 September 2019	204,405,273	6,693,410	60,679,357	20,537,119	96,916	292,412,075
At 30 September 2018	193,503,495	2,764,144	47,997,553	16,356,184	99,912	260,721,288
At 30 September 2017	162,644,549	23,479,217	38,018,242	15,678,876	91,439	239,912,323

Borrowings totalling £23,709,504 (2018: £17,853,779) are secured against the above assets (note 17).

Interest costs of £nil (2018: £nil) were capitalised during the year. Cumulative interest capitalised at 30 September 2019 was £1,082,459 (2018: £1,082,459).

Depreciation expense is included within administrative expenses in the income statement.

Notes to the financial statements for the year ended 30 September 2019 (continued)

9 Property, plant and equipment (continued)

Assets held under finance leases had the following net book amount:

Group	2019 Total £	2018 Total £
Cost	3,912,988	4,286,093
Accumulated depreciation	(3,513,113)	(3,522,581)
Net book amount	399,875	763,512

Company	Land and buildings £	Plant and Machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2017	3,994,125	1,961,494	7,455,666	70,378	13,481,663
Transfers	-	-	(93,257)	-	(93,257)
Additions	34,837	1,099,974	1,165,699	31,911	2,332,421
At 1 October 2018	4,028,962	3,061,468	8,528,108	102,289	15,720,827
Transfers	79,473	-	(79,473)	-	-
Additions	-	49,868	1,664,359	-	1,714,227
Disposals	(74,634)	-	-	-	(74,634)
At 30 September 2019	4,033,801	3,111,336	10,112,994	102,289	17,360,420
Accumulated depreciation					
At 1 October 2017	261,587	1,470,315	3,135,851	44,925	4,912,678
Charge for the year	50,593	145,321	993,032	9,555	1,198,501
At 1 October 2018	312,180	1,615,636	4,128,883	54,480	6,111,179
Charge for the year	51,060	164,944	1,116,960	10,905	1,343,869
At 30 September 2019	363,240	1,780,580	5,245,843	65,385	7,455,048
Net book amount					
At 30 September 2019	3,670,561	1,330,756	4,867,151	36,904	9,905,372
At 30 September 2018	3,716,782	1,445,832	4,399,225	47,809	9,609,648
At 30 September 2017	3,732,538	491,179	4,319,815	25,453	8,568,985

Borrowings totalling £18,615,587 (2018: £15,111,205) are secured against the above assets (note 17).

Depreciation expense is included within administrative expenses in the income statement.

Notes to the financial statements for the year ended 30 September 2019 (continued)

9 Property, plant and equipment (continued)

Assets held under finance leases had the following net book amount:

Company	Fixtures, fittings and computer equipment 2019 £	Fixtures, fittings and computer equipment 2018 £
Cost	629,500	629,500
Accumulated depreciation	(629,500)	(584,800)
Net book amount	-	44,700

10 Goodwill

Group	£
Cost	
At 1 October 2017	70,674,758
On acquisition	15,868,033
Exchange adjustment	900,164
At 1 October 2018	87,442,955
On acquisition	48,790
Exchange adjustment	1,689,153
At 30 September 2019	89,180,898
Accumulated amortisation and impairment	
At 1 October 2017 and 1 October 2018 and at 30 September 2019	4,910,114
Net book amount	
At 30 September 2019	84,270,784
At 30 September 2018	82,532,841
At 30 September 2017	65,764,644

£60.2m (2018: £58.5m) of goodwill relates to the group's clinical services business. The group's clinical services business in the UK and the US, is regarded as a cash-generating unit (CGU). The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management and covering a five year period. Growth rates of 1% to 5% (2018: 2 to 26%) with a consistent gross margin were used for the five year period. Cash flows beyond the five year period are established using estimated growth rates of 2% (2018: 2%), which do not exceed the average growth rate for the industry in which the CGU operates. Management determined budgeted gross margins based on past performance and its expectations of market developments. The discount rate used of 11% (2018: 11%) is pre-tax and reflects specific risks relating to the group. There is sufficient headroom in the impairment calculation.

Notes to the financial statements for the year ended 30 September 2019 (continued)

11 Other intangible assets

Group	Product licences £	Computer software £	Total £
Cost			
At 1 October 2017	28,805,650	63,650,214	92,455,864
On acquisition	59,036	30,876	89,912
Transfers	-	93,257	93,257
Additions	754,406	6,463,077	7,217,483
Exchange adjustment	132,342	577,282	709,624
At 1 October 2018	29,751,434	70,814,706	100,566,140
Additions	140,983	4,810,104	4,951,087
Disposals	(33,451)	-	(33,451)
Exchange adjustment	275,273	1,135,866	1,411,139
At 30 September 2019	30,134,239	76,760,676	106,894,915
Accumulated amortisation			
At 1 October 2017	22,417,054	34,734,996	57,152,050
Amortisation in the year	2,067,462	6,506,839	8,574,301
Exchange adjustment	88,465	464,605	553,070
At 1 October 2018	24,572,981	41,706,440	66,279,421
Amortisation in the year	1,215,447	7,407,673	8,623,120
Disposals	(2,534)	-	(2,534)
Exchange adjustment	160,245	924,288	1,084,533
At 30 September 2019	25,946,139	50,038,401	75,984,540
Net book amount			
At 30 September 2019	4,188,100	26,722,275	30,910,375
At 30 September 2018	5,178,453	29,108,266	34,286,719
At 30 September 2017	6,388,596	28,915,218	35,303,814

Amortisation expense is included within administrative expenses in the income statement.

Notes to the financial statements for the year ended 30 September 2019 (continued)

11 Other intangible assets (continued)

Company	Computer software £
Cost	
At 1 October 2017	5,299,579
Transfers	93,257
Additions	689,374
At 1 October 2018	6,082,210
Additions	162,534
At 30 September 2019	6,244,744
Accumulated amortisation	
At 1 October 2017	3,978,620
Amortisation in the year	529,436
At 1 October 2018	4,508,056
Amortisation in the year	580,977
At 30 September 2019	5,089,033
Net book amount	
At 30 September 2019	1,155,711
At 30 September 2018	1,574,154
At 30 September 2017	1,320,959

Amortisation expense is included within administrative expenses in the income statement.

Notes to the financial statements for the year ended 30 September 2019 (continued)

12 Investments in subsidiaries

Company	£
Cost	
At 1 October 2017 and 30 September 2018	175,093,075
Additions	2,219,895
At 30 September 2019	177,312,970
Provisions for impairment	
At 1 October 2017, 1 October 2018 and 30 September 2019	1,692,057
Net book amount	
At 30 September 2019	175,620,913
At 30 September 2018	173,401,018
At 30 September 2017	173,401,018

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid, less any provisions for impairments. The subsidiaries of the group at 30 September 2019 were:

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the parent	Proportion of ordinary shares held by the group
Almac Discovery Limited	Northern Ireland ¹	Discovery and development of innovative approaches to the treatment of cancer	100%	100%
Almac Diagnostic Services Limited (formerly Almac Diagnostics Limited)	Northern Ireland ¹	Development of cancer diagnostics and microarray based data analysis	1%	99%
Almac Diagnostics LLC	United States of America ¹⁰	Development of cancer diagnostics and microarray based data analysis	0%	100%
Almac Diagnostic Services Limited (Ireland)	Republic of Ireland ³	Development of cancer diagnostics and microarray based data analysis	0%	100%
Almac Sciences Limited	Northern Ireland ¹	Provision of custom chemical synthesis services	0%	100%
Almac Sciences LLC	United States of America ¹⁰	Provision of custom chemical synthesis services	0%	100%
Almac Sciences (Scotland) Limited	Scotland ⁹	Provision of custom chemical synthesis services	0%	100%
Almac Clinical Services Limited	Northern Ireland ¹	Provision of services to pharmaceutical and biotechnology companies	0%	100%
Almac Clinical Services LLC	United States of America ¹⁰	Provision of services to pharmaceutical and biotechnology companies	0%	100%
Almac Clinical Technologies LLC	United States of America ¹⁰	Management of clinical trials drug supply	0%	100%

Notes to the financial statements for the year ended 30 September 2019 (continued)

12 Investments in subsidiaries (continued)

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the parent	Proportion of ordinary shares held by the group
Almac Clinical Technologies Limited	Northern Ireland ¹	Management of clinical trials drug supply	0%	100%
Almac Pharma Services Limited	Northern Ireland ¹	Manufacture of pharmaceutical products	0%	100%
Almac Pharma Services LLC	United States of America ¹⁰	Manufacture of pharmaceutical products	0%	100%
Galen Limited	Northern Ireland ¹	Distribution and sale of pharmaceutical products	50%	100%
Galen Pharma Ireland Limited	Republic of Ireland ³	Distribution and sale of pharmaceutical products	0%	100%
Almac Central Management LLC	United States of America ¹⁰	Central administrative services for the US group	0%	100%
Almac Pharmaceutical Services PTE Ltd	Singapore ⁷	Provision of services to pharmaceutical and biotechnology companies	0%	100%
Almac Pharmaceutical Services KK	Japan ⁸	Provision of services to pharmaceutical and biotechnology companies	0%	100%
Almac Group (Asia) PTE Ltd	Singapore ⁷	Holding company	100%	100%
Almac Group (UK) Limited	Northern Ireland ¹	Holding company	100%	100%
Almac Group Incorporated	United States of America ¹⁰	Holding company	100%	100%
Almac (No. 2) Limited	Northern Ireland ¹	Dormant company	100%	100%
Galen US Incorporated	United States of America ¹⁰	Distribution and sale of pharmaceutical products	0%	100%
Novis Pharma Limited	Northern Ireland ¹	Dormant company	0%	100%
Napsco Limited	Northern Ireland ¹	Dormant company	0%	100%
CTS Analytical Limited	Northern Ireland ¹	Dormant company	0%	100%
Syngal Limited	Northern Ireland ¹	Dormant company	0%	100%
Quchem Limited	Northern Ireland ¹	Dormant company	0%	100%
Almac Diagnostics (2004) Limited	Northern Ireland ¹	Dormant company	0%	100%
Almac Trustees Limited	Northern Ireland ¹	Holding company	0%	100%
2007 Gal Limited	Northern Ireland ¹	Dormant company	0%	100%
InterGal Pharma Limited	Northern Ireland ¹	Dormant company	0%	100%
Almac (No. 1) Limited	Northern Ireland ¹	Dormant company	0%	100%
Nelag Limited	Northern Ireland ¹	Dormant company	0%	100%
Chargelink Limited	England ⁶	Dormant company	0%	100%
Galen Pharmaceuticals Limited	England ⁶	Dormant company	0%	100%

Notes to the financial statements for the year ended 30 September 2019 (continued)

12 Investments in subsidiaries (continued)

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the parent	Proportion of ordinary shares held by the group
Galen Healthcare Limited	England ⁶	Dormant company	0%	100%
Galen Rhodes Limited	England ⁶	Dormant company	0%	100%
Galen Specialty Pharma US LLC	United States of America ¹⁰	Dormant company	0%	100%
Almac Realty Holdings LLC	United States of America ¹⁰	Holding company	0%	100%
Clinical Trial Services Incorporated	United States of America ¹³	Dormant company	0%	100%
Applied Clinical Concepts Incorporated	United States of America ¹⁴	Dormant company	0%	100%
Arran Chemical Company Limited	Republic of Ireland ²	Manufacture of pharmaceutical products	0%	100%
Ventureland Limited	Republic of Ireland ²	Dormant company	0%	100%
Almac Pharmaceuticals Group (Ireland) Limited	Republic of Ireland ⁴	Holding company	100%	100%
Almac Pharma Services (Ireland) Limited	Republic of Ireland ³	Provision of services to pharmaceutical and biotechnology companies	0%	100%
Almac Clinical Services (Ireland) Limited	Republic of Ireland ³	Provision of services to pharmaceutical and biotechnology companies	0%	100%
Bioclin Research Laboratories Limited	Republic of Ireland ⁴	Dormant Company	0%	100%
Almac Sciences (Ireland) Limited	Republic of Ireland ¹⁴	Provision of services to pharmaceutical and biotechnology companies	0%	100%
MPI Europharma Limited	Republic of Ireland	Provision of services to pharmaceutical and biotechnology companies	0%	100%
POA Pharma Scandinavia AB	Sweden ¹³	Distribution and sale of pharmaceutical products	0%	100%
POA Pharma North America LLC	USA ¹⁵	Distribution and sale of pharmaceutical products	0%	100%

¹The registered office of these entities is Almac House, 20 Seagoe Industrial Estate, Craigavon BT63 5QD

²The registered office of these entities is Units 1-3 Monksland Industrial Estate, Athlone, Co. Roscommon, N37 DN24

³The registered office of these entities is Finnabair Industrial Estate, Dundalk Co. Louth, A91 P9KD

⁴The registered office of these entities is Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576

⁵The registered office of this entity is Suite 2, Stafford House, Strand Road, Portmarnock Co Dublin, D13 H525

⁶The registered office of these entities is Broadwalk House, 5 Appold Street, London, EC2A 2HA

⁷The registered office of these entities is Lee & Lee, 50 Raffles Place, #60-00, Singapore Land Tower, Singapore, 048623

⁸The registered office of this entity is Tokyo Club Building, 11F, 3-2-6 Kasumigaski, Chiyoda-ku, Tokyo, 100-0013

⁹The registered office of this entity is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, Lothian, EH1 2EN

¹⁰The registered office of these entities is Corporation Service Company, 2711 Centreville Rd, Suite 400, Wilmington, Delaware, DE 19808

¹¹The registered office of this entity is CSC, 103 Foulk Road, Suite 103, Wilmington, DE 19803 - 3742

¹²The registered office of this entity is 011 Allen Building, Durham, NC 27708

¹³The registered office of this entity is Ebbe Lieberathsgatan 21, 40022 Gøteborg, Box 24026, Sweden

¹⁴The registered office of this entity is IDA Business and Technology Park Garrycastle, Athlone, Co. Westmeath N37 XO61, Ireland

¹⁵The registered office of this entity is 4400 NE 77th Avenue, Suite 275, Vancouver, WA 98662

Notes to the financial statements for the year ended 30 September 2019 (continued)

13 Deferred income tax

The gross movement on the deferred income tax account is as follows:

Group	Assets		Liabilities		Total	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
At 1 October	1,904,034	2,142,731	(10,727,138)	(10,062,449)	(8,823,104)	(7,919,718)
Exchange adjustment	-	-	(90,121)	(42,906)	(90,121)	(42,906)
Credited/(charged) to the income statement	150,193	(238,697)	(779,249)	(621,783)	(629,056)	(860,480)
At 30 September	2,054,227	1,904,034	(11,596,508)	(10,727,138)	(9,542,281)	(8,823,104)

Company	2019	2018
	£	£
At 1 October	1,111,123	751,342
(Charged)/credited to the income statement	(336,863)	359,781
At 30 September	774,260	1,111,123

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Group - deferred tax (liabilities)/assets	Accelerated capital allowances	Tax losses	Other temporary differences	Total
	£	£	£	£
At 1 October 2017	(21,613,558)	11,008,799	2,685,041	(7,919,718)
Credited/(charged) to the income statement	2,073,073	3,564,119	(6,497,672)	(860,480)
Exchange adjustments	-	(42,906)	-	(42,906)
At 1 October 2018	(19,540,485)	14,530,012	(3,812,631)	(8,823,104)
Credited/(charged) to the income statement	(979,564)	(16,705)	367,213	(629,056)
Exchange adjustments	-	(90,121)	-	(90,121)
At 30 September 2019	(20,520,049)	14,423,186	(3,445,418)	(9,542,281)

Company - deferred tax assets	Other temporary differences	Accelerated capital allowances	Total
	£	£	£
At 1 October 2017	(243,449)	994,791	751,342
(Charged)/credited to the income statement	(38,311)	398,092	359,781
At 1 October 2018	(281,760)	1,392,883	1,111,123
Credited/(charged) to the income statement	10,788	(347,651)	(336,863)
At 30 September 2019	(270,972)	1,045,232	774,260

Notes to the financial statements for the year ended 30 September 2019 (continued)

13 Deferred income tax (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Deferred tax assets:				
- to be recovered after more than 12 months	2,054,227	1,904,034	1,045,232	1,392,883
- to be recovered within 12 months	-	-	-	-
	2,054,227	1,904,034	1,045,232	1,392,883
Deferred tax liabilities:				
- to be recovered after more than 12 months	(11,596,508)	(9,820,861)	(270,972)	(281,760)
- to be recovered within 12 months	-	(906,277)	-	-
	(11,596,508)	(10,727,138)	(270,972)	(281,760)
Deferred tax (liabilities)/assets – net	(9,542,281)	(8,823,104)	774,260	1,111,123

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable benefits is probable. Deferred income tax assets not recognised are comprised as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Accelerated capital allowances	58,262	213,296	58,262	66,935
Tax losses	14,851,463	10,441,599	-	-
Other temporary differences	151,382	344,590	-	-
	15,061,107	10,999,485	58,262	66,935

No deferred tax asset has been recognised in relation to the above as in the opinion of the directors it may not be recoverable in the foreseeable future. The potential deferred tax assets will be recognised when it can be regarded as more likely than not that there will be sufficient taxable profits from which the tax losses, accelerated capital allowances and other temporary differences can be deducted.

14 Inventories

	2019	2018
Group	£	£
Raw materials	13,194,984	11,099,999
Work in progress	3,247,495	2,528,735
Finished goods	12,975,596	10,916,737
	29,418,075	24,545,471

The cost of inventories recognised as expense and included in cost of sales amounted to £157,053,709 (2018: £137,911,080).

During the year £292,336 of inventory provisions were reversed as they were not used (2018: £505,508).

Notes to the financial statements for the year ended 30 September 2019 (continued)

15 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade receivables	122,709,428	110,824,374	-	-
Less: provision for impairment of trade receivables	(2,356,132)	(2,149,045)	-	-
Trade receivables (net)	120,353,296	108,675,329	-	-
Amounts owed by group undertakings (note 30)	-	-	278,623,245	270,389,783
Other receivables	5,925,865	7,198,066	667,370	2,541,655
Prepayments and accrued income	28,074,814	27,978,505	3,128,834	2,550,615
	154,353,975	143,851,900	282,419,449	275,482,053

Trade receivables includes an amount of £7,279,645 (2018: £5,662,451) in respect of receivables subject to invoice discounting.

The fair values of trade and other receivables are not materially different from their carrying value. For the purposes of IFRS 9 "Financial instruments", all of the group's and parent company's financial assets are classified as measured at amortised cost.

The carrying amount of the group's and parent company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Currency				
UK pound sterling	67,771,678	64,446,727	105,261,723	123,335,306
US dollar	73,182,727	67,538,771	136,305,949	137,931,133
Euro	13,399,570	11,866,402	34,020,157	14,215,614
Singapore dollar	-	-	6,230,794	-
Japanese yen	-	-	600,826	-
	154,353,975	143,851,900	282,419,449	275,482,053

Notes to the financial statements for the year ended 30 September 2019 (continued)

15 Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable above.

Trade receivables impaired and the amount of the impairment provision at 30 September 2019 was £2,356,132 (2018: £2,149,045). The individually impaired receivables mainly relate to invoices for which there is uncertainty over recoverability. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than two months.

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
At 1 October	2,149,045	2,803,631	-	-
Exchange adjustment	16,054	41,708	-	-
Provision for receivables impairment	1,038,124	606,860	-	-
Receivables written off during the year as uncollectible	(342,758)	(12,998)	-	-
Unused amounts reversed	(504,333)	(1,290,156)	-	-
At 30 September	2,356,132	2,149,045	-	-

The creation and release of the provision for impaired receivables has been included in administrative expenses in the income statement.

As of 30 September 2019 trade receivables of £23,957,109 (2018: £19,426,159) were past due but not impaired. These and other trade receivables relate to a number of large multinational companies and public institutions for which there is little risk of default.

The aged analysis of these trade receivables is as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Up to two months overdue	18,235,312	16,371,683	-	-
More than two months overdue	5,721,797	3,054,476	-	-
	23,957,109	19,426,159	-	-

None of these trade receivables have had their terms re-negotiated. The other classes within trade and other receivables do not contain impaired assets.

The group has recognised the following assets relating to contracts with customers (these are all included within accrued income):

	2019
	£
Contract assets recognised at start of the year	16,056,947
Revenue recognised in prior years that was invoiced in the current year	(15,019,738)
Amounts recognised in revenue in the current year that will be invoiced in future years.	13,148,443
Balance at the end of the year	14,185,652

Notes to the financial statements for the year ended 30 September 2019 (continued)

15 Trade and other receivables (continued)

Contract assets are expected to be invoiced in the year to 30 September 2020.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 30 September 2019 and 1 October 2018 (on adoption of IFRS 9) was deemed to be not materially different to that provision carried under IAS 39. The default rate on receivables is less than 1% in both periods.

The group applies the practical expedient in IFRS 9 (which allows the group to measure impairment using the 12 month Expected Credit Loss model) in respect of amounts owed by group undertakings, for those balances that meet the following requirements:

- it has a low risk of default;
- the counterparty is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the group expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the counterparty to fulfil its obligations.

For those balances where there is a higher risk of default the company follows the 3-stage approach within IFRS 9 to determine lifetime expected credit losses. For those balances with a higher risk of default a provision of £32,104,338 has been made against amounts owed from group undertakings. The default rates used range from 1% to 35% and are derived from an assessment of the credit rating of the counterparty and the length the balance has been outstanding.

On adoption of IFRS 9 the company calculated the impact on receivables from group undertakings using the same approach. Based on these calculations a provision of £26,713,523 was made against amounts due from group undertakings. The company has availed of the transition exemption in IFRS 9 to adjust for this in opening reserves on 1 October 2018.

16 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Cash at bank and in hand	21,015,054	21,766,235	-	6,534,486
Short term deposits	6,386,015	7,170,527	-	-
	27,401,069	28,936,762	-	6,534,486

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Cash and cash equivalents	27,401,069	28,936,762	-	6,534,486
Bank overdrafts (note 17)	(15,991,400)	(6,313,274)	(11,700,848)	(5,026,482)
	11,409,669	22,623,488	(11,700,848)	1,508,004

Notes to the financial statements for the year ended 30 September 2019 (continued)

17 Borrowings

	Group		Company	
	2019	2018	2019	2018
Current	£	£	£	£
Bank overdrafts – secured	15,991,400	6,313,274	11,700,848	5,026,482
Bank loans - secured (a)	3,916,586	3,713,931	3,451,545	3,289,316
Other loans – secured (b)	606,428	500,833	606,428	274,328
Amounts owed to group undertakings (c) (note 30)	-	-	250,041,743	220,910,142
Amounts owed to related parties (d) (note 30)	357,140	357,140	357,140	357,140
Finance lease obligations (e)	40,697	126,276	-	67,924
	20,912,251	11,011,454	266,157,704	229,925,332

Bank loans and overdrafts includes an amount of £nil (2018: £nil) in respect of receivables subject to invoice discounting.

	Group		Company	
	2019	2018	2019	2018
Non-current	£	£	£	£
Bank loans - secured (a)	2,887,606	6,636,927	2,651,020	5,973,081
Other loans - secured (b)	205,746	480,074	205,746	480,074
Amounts owed to group undertakings (c) (note 30)	-	-	6,579,555	7,812,853
Amounts owed to related parties (d) (note 30)	89,305	446,445	89,305	446,445
Finance lease obligations (e)	61,041	82,464	-	-
	3,243,698	7,645,910	9,525,626	14,712,453
Total borrowings	24,155,949	18,657,364	275,683,330	244,637,785

- (a) Bank loans consist of the following amounts which refer to loan agreements entered into in 2011 and amended in 2012, 2013, 2016 and 2019:

Group:

A loan of \$3.6m and an additional \$1.2m advanced in 2012. This loan is repayable over 28 quarters commencing September 2011 with a review after 5 years in June 2016 and interest is charged at LIBOR + margin. The review in June 2016 was completed and the remaining loan balance of \$2.6m is repayable over 19 quarters commencing September 2016.

Group and parent company:

- (i) A loan of \$46.3m. This loan is repayable over 28 quarters commencing September 2011 with a review after 5 years in June 2016 and interest is charged at LIBOR + margin. During 2014, \$16m was converted into a new sterling loan of £9.9m. The loan of £9.9m is repayable over 16 quarters commencing December 2013 with a review in June 2016 and interest is charged at LIBOR + margin. The reviews in June 2016 were completed and the remaining loan balances of £5.2m are repayable over 20 quarters.
- (ii) A loan of £15.0m. This loan is repayable over 28 quarters commencing September 2011 with a review after 5 years in June 2016 and interest is charged at LIBOR + margin. The review in June 2016 was completed and the remaining loan balance of £4.9m is repayable over 20 quarters.

The above loans are secured against assets within the group.

Notes to the financial statements for the year ended 30 September 2019 (continued)

17 Borrowings (continued)

(b) Group:

A loan of £800,000. The loan was repayable over 36 months in fixed monthly instalments commencing August 2016 and interest was charged at a fixed rate. The loan was secured by a guarantee from Almac Group Limited and was fully repaid in 2019.

Group and parent company:

A loan of £987,581. This loan is repayable over 36 months commencing July 2018 and interest is charged at a fixed rate. This loan was procured in order to acquire an intangible asset and is secured on the asset to which it relates. A loan of £661,422. This loan is repayable over 8 quarterly instalments commencing December 2018 and no interest is charged. This loan was procured in order to acquire an intangible asset and is secured on the asset to which it relates.

(c) Parent company:

(i) £248,808,445 (2018: £219,676,844) is owed to group undertakings. Interest is charged at LIBOR + margin, and the loans are repayable on demand.

(ii) £803,585 (2018: £1,160,725) is owed to the Almac Employee Benefit Trust. Interest is charged at UK base rate plus 1%. The loan is being repaid in quarterly instalments which commenced in March 2015.

(iii) £ 7,009,268 (2018: £7,885,426) is owed to Galen Limited. Interest is charged at LIBOR plus a margin. The loan is being repaid in annual instalments which commenced in August 2018.

(d) Group and parent company:

£446,445 (2018: £803,585) is owed to the McClay Foundation. Interest is charged at UK base rate plus 1%. This loan is repayable in quarterly instalments from December 2014.

(e) Finance leases are secured on the assets to which they relate.

The fair value of both current and non-current borrowings equals their carrying amount as the impact of discounting is not significant.

For the purposes of IFRS 9 "Financial instruments", the financial liabilities noted above are classified measured at amortised cost.

The carrying amount of the group's and the parent company's borrowings is denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
UK pound sterling	21,189,743	13,734,247	215,559,862	196,698,293
US dollar	2,966,206	4,923,117	56,359,872	44,054,490
Euro	-	-	3,763,596	3,885,002
	24,155,949	18,657,364	275,683,330	244,637,785

The effective interest rates at the balance sheet date were as follows:

	2019	2018
	%	%
Bank loans and overdrafts	2.30 - 3.50	2.30 - 3.50
Amounts owed to group undertakings and related parties	1.35 - 4.75	1.35 - 4.75
Other loans	2.00 - 5.68	2.00 - 5.68
Finance leases	0.00 - 13.50	0.00 - 13.50

Notes to the financial statements for the year ended 30 September 2019 (continued)

17 Borrowings (continued)

Maturity of financial liabilities

The maturity profile of the carrying amount of non-current borrowings at 30 September was as follows:

Group	Bank and other loans 2019 £	Amounts owed to related parties 2019 £	Finance lease obligations 2019 £	Total 2019 £
In more than one year but not more than two years	3,093,352	89,305	29,176	3,211,833
In more than two years but not more than five years	-	-	31,865	31,865
	3,093,352	89,305	61,041	3,243,698

Group	Bank and other loans 2018 £	Amounts owed to related parties 2018 £	Finance lease obligations 2018 £	Total 2018 £
In more than one year but not more than two years	4,092,645	357,140	36,459	4,486,244
In more than two years but not more than five years	3,024,356	89,305	46,005	3,159,666
	7,117,001	446,445	82,464	7,645,910

Company	Bank and other loans 2019 £	Amounts owed to group undertakings 2019 £	Amounts owed to related parties 2019 £	Total 2019 £
In more than one year but not more than two years	2,856,766	1,233,318	89,305	4,179,389
In more than two years but not more than five years	-	2,717,759	-	2,717,759
In more than five years	-	2,628,478	-	2,628,478
	2,856,766	6,579,555	89,305	9,525,626

Notes to the financial statements for the year ended 30 September 2019 (continued)

17 Borrowings (continued)

Company	Bank and other loans 2018 £	Amounts owed to group undertakings 2018 £	Amounts owed to related parties 2018 £	Total 2018 £
In more than one year but not more than two years	3,652,645	1,233,298	357,140	5,243,083
In more than two years but not more than five years	2,800,510	3,074,919	89,305	5,964,734
In more than five years	-	3,504,636	-	3,504,636
	6,453,155	7,812,853	446,445	14,712,453

The amounts included in the tables below are the contractual undiscounted cash flows of current and non-current borrowings.

Group	Bank loans, other loans and bank overdraft 2019 £	Amounts owed to related parties 2019 £	Finance lease obligations 2019 £	Total 2019 £
Less than one year	20,976,858	362,607	45,075	21,384,540
In more than one year but not more than two years	3,137,231	89,699	31,542	3,258,472
In more than two years but not more than five years	-	-	33,195	33,195
	24,114,089	452,306	109,812	24,676,207

Group	Bank loans, other loans and bank overdraft 2018 £	Amounts owed to related parties 2018 £	Finance lease obligations 2018 £	Total 2018 £
Less than one year	11,017,519	367,183	131,684	11,516,386
In more than one year but not more than two years	4,287,073	361,826	39,898	4,688,797
In more than two years but not more than five years	3,077,267	89,643	48,342	3,215,252
	18,381,859	818,652	219,924	19,420,435

Notes to the financial statements for the year ended 30 September 2019 (continued)

17 Borrowings (continued)

Company	Bank loans, other loans and bank overdraft 2019 £	Amounts owed to group undertakings 2019 £	Amounts owed to related parties 2019 £	Total 2019 £
Less than one year	16,078,079	250,278,625	362,607	266,719,311
In more than one year but not more than two years	2,897,692	1,435,606	89,699	4,422,997
In more than two years but not more than five years	-	3,142,871	-	3,142,871
In more than five years	-	2,798,517	-	2,798,517
	18,975,771	257,655,619	452,306	277,083,696

Company	Bank loans, other loans and overdrafts 2018 £	Amounts owed to group undertakings 2018 £	Amounts owed to related parties 2018 £	Finance lease obligations 2018 £	Total 2018 £
Less than one year	9,024,035	221,180,595	367,183	67,924	230,639,737
In more than one year but not more than two years	3,824,404	1,469,906	361,826	-	5,656,136
In more than two years but not more than five years	2,849,628	3,591,049	89,643	-	6,530,320
In more than five years	-	3,789,515	-	-	3,789,515
	15,698,067	230,031,065	818,652	67,924	246,615,708

The minimum lease payments under finance leases fall due as follows:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Not later than one year	45,075	131,684	-	67,924
Later than one year but not more than five years	64,737	88,240	-	-
	109,812	219,924	-	67,924
Future finance charges on finance leases	(8,074)	(11,184)	-	-
Present value of finance lease liabilities	101,738	208,740	-	67,924

Notes to the financial statements for the year ended 30 September 2019 (continued)

18 Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade payables	30,163,387	28,282,203	1,257,802	1,336,298
Amounts owed to group undertakings (note 30)	-	-	12,812,406	12,202,872
Other tax and social security	4,468,954	3,636,314	1,131,360	792,155
Other creditors	8,174,217	7,059,771	-	202
Accruals and deferred income	69,104,402	72,485,934	11,607,205	12,889,441
	111,910,960	111,464,222	26,808,773	27,220,968

The fair values of trade and other payables are not materially different from their carrying values as the impact of discounting is not significant. There is no material difference between the amounts shown above and the total contractual undiscounted cash flows of trade and other payables.

For the purposes of IFRS 9 "Financial instruments" the financial liabilities noted above are classified as measured at amortised cost.

The group has recognised the following liabilities relating to contracts with customers (these are all included within deferred income):

	2019
	£
Contract liabilities recognised at start of the year	9,198,244
Amounts invoiced in prior years recognised as revenue in the current year	(8,005,628)
Amounts invoiced in the current year which will be recognised as revenue in later years	12,341,738
Balance at the end of the year	13,534,354

Contract liabilities are expected to be recognised as revenue by 30 September 2020.

Notes to the financial statements for the year ended 30 September 2019 (continued)

19 Deferred income

	Group £	Company £
Government and other grants		
At 1 October 2017	16,552,961	23,891
Capital and other grants received during the year	1,943,189	-
Released to the income statement	(2,221,991)	(21,768)
Exchange adjustment	88,086	-
At 1 October 2018	16,362,245	2,123
Capital and other grants received during the year	1,883,628	-
Released to the income statement	(2,166,237)	(768)
Exchange adjustment	189,514	-
At 30 September 2019	16,269,150	1,355

The maturity profile of the carrying amount of deferred income, at 30 September was as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Less than one year	2,241,246	2,290,673	611	2,123
In more than one year but not more than two years	1,911,060	1,858,890	744	-
In more than two years but not more than five years	6,200,693	6,337,677	-	-
Later than five years	5,916,151	5,875,005	-	-
	16,269,150	16,362,245	1,355	2,123

Notes to the financial statements for the year ended 30 September 2019 (continued)

20 Other non-current liabilities

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Accruals	12,524,179	14,191,638	3,307,766	5,201,462

Maturity of non-current liabilities

The maturity profile of the carrying amount of non-current liabilities at 30 September was as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
In more than one year but not more than two years	5,492,825	8,804,982	2,530,705	4,650,851
In more than two years but not more than five years	7,010,212	5,335,437	777,061	550,611
In more than five years	21,142	51,219	-	-
	12,524,179	14,191,638	3,307,766	5,201,462

There is no material difference between the amounts shown above and the total contractual undiscounted cash flows of other non-current liabilities.

21 Provisions for liabilities and charges

	Group	Company
	£	£
Private medical claims provision		
At 1 October 2017	2,602,985	-
Charged to the income statement	3,849,029	-
Exchange adjustment	80,092	-
At 1 October 2018	6,532,106	-
Charged to the income statement	1,574,803	-
Utilisation during year	(5,137,722)	-
Exchange adjustment	255,879	-
At 30 September 2019	3,225,066	-

22 Share capital and share premium

Group and company	2019	2018
Authorised share capital	£	£
139,999,999 (2018: 139,999,999) ordinary A shares of £1 each	139,999,999	139,999,999
10,000,000 (2018: 10,000,000) class B non-voting ordinary shares of £1 each	10,000,000	10,000,000
1 (2018:1) founder share of £1	1	1
	150,000,000	150,000,000

Notes to the financial statements for the year ended 30 September 2019 (continued)

22 Share capital and share premium

The ordinary A shares, B shares rank pari passu in all respects and enjoy the same rights and privileges save that the B shares are non-voting. The Founder share has veto rights in a number of areas; however it does not receive an economic benefit from the group. All shares rank in full for dividends.

Group and company	Shares of £1 each			Total £
	Ordinary A £	Class B ordinary £	Founder £	
Allotted and fully paid and share capital				
At 1 October 2018	13,528,978	1,761,583	1	15,290,562
Issue of share capital	5,750	-	-	5,750
At 30 September 2019	13,534,728	1,761,583	1	15,296,312

Group and company	Share premium £
At 1 October 2018	173,867,071
Issue of share capital	44,850
At 30 September 2019	173,911,921

On 31 May 2019, the company issued £5,750 of ordinary A shares of £1 each at a total consideration of £50,600.

23 Employee benefit trust

Under IFRS, an entity that controls an employee benefit trust is required by SIC 12 "Consolidation – Special Purpose Entities" to consolidate that Trust. Accordingly the assets, liabilities and transactions of the Almac Employee Benefit Trust and the Almac Offshore Employee Benefit Trust have been consolidated in these group financial statements. The Trusts are discretionary trusts established for the benefit of employees and former employees of the parent company, including directors, and may be used to meet obligations under the direction of the Trustees. At 30 September 2019 no shares of the parent company were held by the Trusts.

24 Cash generated from operations

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Profit before income tax	47,646,334	27,611,587	1,769,009	2,265,710
Adjustments for:				
Finance income	(5,398,325)	(1,431,284)	(15,612,089)	(10,606,134)
Finance costs	1,239,491	808,114	9,439,892	6,958,961
Depreciation of property, plant and equipment	19,590,811	16,989,333	1,343,869	1,198,501
Amortisation of intangible assets	8,623,120	8,574,301	580,977	529,436
Provision against amounts owed by group undertakings	-	-	5,390,815	-
Research and development credit	(3,789,046)	(3,915,655)	-	-
(Profit)/loss on disposal of property, plant and equipment	(26,850)	(6,262)	74,634	-
Release of capital grant	(2,166,237)	(2,221,991)	(768)	(21,768)
Movement in inventories	(4,777,952)	1,311,654	-	-
Movement in trade and other receivables	(6,621,581)	(7,188,258)	1,296,066	506,358
Movement in trade and other payables	(6,574,879)	9,831,070	(2,915,425)	147,978
Net cash generated from operations	47,744,886	50,362,609	1,366,980	979,042

Notes to the financial statements for the year ended 30 September 2019 (continued)

25 Pension commitments

The group operates a defined contribution scheme for employees whereby the assets of the scheme are held separately from those of the group in an independently administered scheme. Pension costs for the defined contribution scheme were as follows:

Group	2019 £	2018 £
Defined contribution scheme	6,853,470	5,639,473

Amounts owed to the pension scheme as at 30 September 2019 totalled £1,085,941 (2018: £839,622).

Company	2019 £	2018 £
Defined contribution scheme	665,071	537,931

Amounts owed to the pension scheme as at 30 September 2019 totalled £113,882 (2018: £86,604).

26 Capital and other financial commitments

Contracts placed for future expenditure not provided in the financial statements:

Group	2019 £	2018 £
Property, plant and equipment	5,266,454	23,865,378
Intangible assets	2,510,921	3,756,057

Company	2019 £	2018 £
Property, plant and equipment	671,133	661,646

27 Operating lease commitments - minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	Motor vehicles		Buildings		Other	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
No later than one year	311,952	250,841	7,772,035	6,156,254	94,608	96,257
More than one year and no later than five years	297,326	288,297	32,173,262	21,143,052	185,145	217,278
Later than five years	-	-	45,553,112	35,306,208	-	-
	609,278	539,138	85,498,409	62,605,514	279,753	313,535

Company	Motor vehicles		Buildings		Other	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
No later than one year	104,054	105,456	1,856,858	1,569,146	9,529	10,053
More than one year and no later than five years	126,244	165,658	7,137,107	7,247,432	20,905	28,863
After 5 years	-	-	13,063,362	14,809,895	-	-
	230,298	271,114	22,057,327	23,626,473	30,434	38,916

Notes to the financial statements for the year ended 30 September 2019 (continued)

28 Contingencies

There exists a contingent liability to repay certain capital and revenue grants received from Invest Northern Ireland (formerly the Industrial Development Board) if future employment levels fall below specified levels. The directors do not anticipate any repayment falling due under the terms on which the grants were received.

The company bank borrowings are secured by certain fixed and floating charges over the property assets and undertakings of the company.

29 Share-based payments

The group operates a phantom share scheme whereby share awards are granted to directors and senior management employees. The share award is granted for £nil consideration, and is conditional on the director or employee continuing in employment for a period of three years from the date the share award is made, which is the first of January following the financial year end. The group accounts for these share awards as cash-settled share-based payments which are measured at fair value and recognised as an expense in the income statement with a corresponding increase in liabilities (within accruals). The fair values of these payments are measured at each reporting date using professional external valuers, in line with the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the group's estimate of the number of awards which will lapse due to employees leaving the group prior to vesting. The total amount recognised in the income statement as an expense is adjusted to reflect the actual amount of awards that are expected to vest, except where forfeiture is due to employee's termination of contract.

Share awards are exercisable from the first of January, three years following the award date. The share award is exercisable at the share price as determined by professionally qualified valuers at the end of the financial year when the share is exercisable and all share awards are cash settled.

The fair value of each share award granted and the assumptions used in the calculation are as follows:

Grant date	30 September 2019	30 September 2018
Share price at grant date	£0.905	£0.909
Number of employees	106	107
Share awards	2,044,679	1,942,826
Vesting period (years)	4	4
Option life (years)	4	4
Expected life (years)	4	4
Dividend yield	Nil	Nil
Risk free interest rate	5.0%	5.0%
Fair value	£0.905	£0.909

The weighted average fair value of share awards granted during the year determined using the Black-Scholes valuation model was £0.905 (2018: £0.909). The significant inputs into the model were the share price at grant date, exercise price, dividend yield, risk free interest rate and expected option life as shown above.

Notes to the financial statements for the year ended 30 September 2019 (continued)

29 Share-based payments (continued)

Movements in the number of share awards outstanding are as follows:

	2019 Number	2018 Number
Outstanding at 1 October	6,042,534	6,918,200
Granted	2,089,081	1,994,185
Forfeited	(156,465)	(574,249)
Exercised	(2,290,407)	(2,295,602)
Outstanding at 30 September	5,684,743	6,042,534
Exercisable on 1 January 2019/2018	1,941,446	2,100,945

The weighted average share price of share awards exercised in the year was £0.905 (2018: £0.909).

Share awards outstanding at the end of the year have the following expiry dates:

	2019 Number	2018 Number
2019	-	2,100,945
2020	1,941,446	2,079,128
2021	1,739,588	1,862,461
2022	2,003,709	-

The total expense recognised in the income statement was £2,761,987 (2018: £1,783,765). The liability at 30 September 2019 was £5,144,692 (2018: £5,492,663).

Notes to the financial statements for the year ended 30 September 2019 (continued)

30 Ultimate controlling party and related party transactions

Due to a split of ownership and control over the group there is not considered to be an ultimate parent undertaking.

Almac Group Limited, a company incorporated in Northern Ireland, is the parent undertaking of the largest and smallest group of undertakings of which the company is a member and for which group financial statements are prepared. The registered office of Almac Group Limited is Almac House, 20 Seagoe Industrial Estate, Craigavon, BT63 5QD.

At the balance sheet date, the ultimate controlling parties are A D Armstrong, S Campbell and C Hayburn.

The McClay Foundation is a related party due to common directors.

Companies under common control are also related parties under IAS 24. Transactions entered into during the year with such parties are as follows:

Group	2019 £	2018 £
Interest payable to related parties	(11,717)	(18,679)
Amounts owed to related parties	(446,445)	(803,585)

Company	2019 £	2018 £
Sales to group undertakings	37,472,855	34,167,939
Purchases from group undertakings	(378,973)	(333,557)
Interest receivable from group undertakings	10,340,333	7,979,436
Interest payable to group undertakings	(8,303,671)	(6,339,707)
Amounts owed by group undertakings (*)	278,623,245	270,389,783
Amounts owed to group undertakings	(268,100,745)	(240,925,867)
Amounts owed to related parties	(446,445)	(803,585)
Group relief payable	(1,332,959)	(637,853)

Details of amounts owed by and to related parties are disclosed in notes 15, 17 and 18 respectively. Details of interest payable and receivable on related party balances are disclosed in note 6.

(*) Amounts owed by group undertakings are stated after provisions of £32,104,338.