

Almac Group Limited
Annual report and financial statements
for the year ended 30 September 2017



Almac Group Limited

Annual report and financial statements for the year ended 30 September 2017

Contents

	Page(s)
Directors and advisers	1
Group strategic report	2 - 4
Directors' report	5 - 7
Statement of directors' responsibilities in respect of the financial statements	8
Independent auditors' report to the members of Almac Group Limited	9 - 10
Group income statement	11
Group statement of comprehensive income	12
Group and parent company statements of changes in equity	13
Group balance sheet	14
Parent company balance sheet	15
Group cash flow statement	16
Parent company cash flow statement	17
Notes to the financial statements	18 - 55

Directors and advisers

Directors

A D'Armstrong
C Hayburn
S Campbell
K Stephens

Company secretary

C Hayburn

Registered office

Almac House
20 Seagoe Industrial Estate
Craigavon
BT63 5QD

Solicitors

Pinsent Masons LLP
Arnott House
12-16 Bridge Street
Belfast
BT1 1LS

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 2017

The directors present their strategic report for the group and the parent company for the year ended 30 September 2017.

Principal activities and review of the business

Almac Group Limited is a private limited company incorporated 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 £33,031,456 (2016: £26,785,268). The Group's profit after tax is £26,707,813 (2016: £14,667,216). Net assets of the Group are £377,982,161 (2016: £355,322,294).

In 2017, an increase in revenue enabled the Group to achieve a profit before tax which was higher than the equivalent figure in the previous year. During 2017, the Group also benefitted from upfront and other payments relating to the out-licensing of oncology products which had been developed in-house by the Group and which also contributed to the profit before tax figure for the year.

During the year ended 30 September 2017, 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.

	2017	2016
Growth in revenue	+19%	+14%
EBITDA before research and development expenditure	£64,683,694	£55,257,350
Employee numbers	4,407	3,975

Group strategic report for the year ended 30 September 2017**Principal risks and uncertainties**

The management of the business and the execution of the group'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 2017

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 be 'K Stephens', written over a horizontal line.

K Stephens
Director

19 December 2017

Directors' report for the year ended 30 September 2017

The directors present their annual report and the audited financial statements of the group and the parent company for the year ended 30 September 2017. A review of the business, position at the year end and future developments are detailed in the Group strategic report.

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 3.

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 2017**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 (2016: £nil) and the directors do not recommend payment of a final dividend (2016: £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 £9,425,427 (2016: £8,206,173) and was expensed as incurred. This is stated before the deduction of £1,220,416 (2016: £826,185) of research and development tax credits. A further £1,691,051 (2016: £1,628,591) of research and development tax credits has been deducted from other expenses. No development expenditure was incurred during the year (2016: £nil).

Post balance sheet events

On 31 October 2017, the group acquired the shares of Bioclin Research Laboratories Ltd, a company registered in the Republic of Ireland and POA Scandinavia AB, a company registered in Sweden for a combined consideration of £13,056,875 and deferred consideration dependent on performance in future years. No fair value assessment has been performed as the completion accounts have not yet been finalised.

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 (2016: £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 2017

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

19 December 2017

Statement of directors' responsibilities in respect of the financial statements

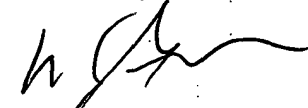
The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

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 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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.



K Stephens
Director

19 December 2017

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 2017 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 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 (the "Annual report"), which comprise: the group and parent company balance sheets as at 30 September 2017; the group income statement and the group 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

Independent auditors' report to the members of Almac Group Limited (continued)**Reporting on other information (continued)***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 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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
19 December 2017

Group income statement for the year ended 30 September 2017

	Note	2017 £	2016 £
Continuing operations			
Revenue	2	531,421,727	447,224,088
Cost of sales	5	(354,071,203)	(297,337,644)
Gross profit		177,350,524	149,886,444
Distribution costs	5	(23,032,845)	(19,675,912)
Administrative expenses	5	(111,936,399)	(95,755,861)
Research and development net expenditure	5	(8,205,011)	(7,379,988)
Operating profit		34,176,269	27,074,683
Operating profit is analysed as:			
EBITDA before research and development expenditure		64,683,694	55,257,350
Depreciation of property, plant and equipment		(14,946,011)	(13,960,737)
Amortisation of intangible assets		(7,356,403)	(6,841,942)
Research and development expenditure		(8,205,011)	(7,379,988)
Finance costs	6	(1,153,961)	(1,083,059)
Finance income	6	9,148	793,644
Finance costs - net	6	(1,144,813)	(289,415)
Profit before income tax		33,031,456	26,785,268
Income tax expense	8	(6,323,643)	(12,118,052)
Profit for the year		26,707,813	14,667,216

The notes on pages 18 to 55 are an integral part of these consolidated financial statements.

Group statement of comprehensive income for the year ended 30 September 2017

	2017 £	2016 £
Profit for the year	26,707,813	14,667,216
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	(4,634,499)	21,918,815
Total comprehensive income for the year	22,073,314	36,586,031

The notes on pages 18 to 55 are an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity
For the year ended 30 September 2017

Attributable to owners of the parent

Group	Share capital £	Share premium £	Currency translation reserve £	Retained earnings £	Total equity £
At 1 October 2015	15,203,832	173,292,246	12,813,267	117,426,918	318,736,263
Comprehensive income					
Profit for the year	-	-	-	14,667,216	14,667,216
Other comprehensive income					
Currency translation differences	-	-	21,918,815	-	21,918,815
Total comprehensive income	-	-	21,918,815	14,667,216	36,586,031
At 1 October 2016	15,203,832	173,292,246	34,732,082	132,094,134	355,322,294
Comprehensive income					
Profit for the year	-	-	-	26,707,813	26,707,813
Other comprehensive expense					
Currency translation differences	-	-	(4,634,499)	-	(4,634,499)
Total comprehensive income	-	-	(4,634,499)	26,707,813	22,073,314
Issue of share capital	78,207	508,346	-	-	586,553
At 30 September 2017	15,282,039	173,800,592	30,097,583	158,801,947	377,982,161

Company	Share capital £	Share premium £	Accumulated losses £	Total equity £
At 1 October 2015	15,203,832	173,292,246	(4,979,651)	183,516,427
Comprehensive income - Profit for the year and total comprehensive income	-	-	7,795,156	7,795,156
At 1 October 2016	15,203,832	173,292,246	2,815,505	191,311,583
Comprehensive expense - Loss for the year and total comprehensive expense	-	-	(3,449,591)	(3,449,591)
Issue of share capital	78,207	508,346	-	586,553
At 30 September 2017	15,282,039	173,800,592	(634,086)	188,448,545

The notes on pages 18 to 55 are an integral part of these consolidated financial statements.

Group balance sheet as at 30 September 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	9	239,912,323	225,631,524
Goodwill	10	65,764,644	66,664,808
Other intangible assets	11	35,303,814	38,164,085
Deferred income tax asset	13	2,142,731	2,636,399
Total non-current assets		343,123,512	333,096,816
Current assets			
Inventories	14	24,663,601	21,846,093
Current income tax asset		2,129,563	-
Trade and other receivables	15	133,285,430	112,898,672
Cash and cash equivalents	16	31,381,277	30,682,837
Total current assets		191,459,871	165,427,602
Total assets		534,583,383	498,524,418
Equity and liabilities			
Liabilities			
Current liabilities			
Borrowings	17	7,549,223	7,260,221
Trade and other payables	18	98,945,475	83,587,736
Current income tax liabilities		-	2,626,246
Total current liabilities		106,494,698	93,474,203
Non-current liabilities			
Borrowings	17	11,378,959	17,080,564
Deferred income tax liabilities	13	10,062,449	8,927,119
Deferred income	19	16,552,961	14,853,741
Other non-current liabilities	20	12,112,155	8,866,497
Total non-current liabilities		50,106,524	49,727,921
Total liabilities		156,601,222	143,202,124
Equity attributable to owners of the parent			
Share capital	21	15,282,039	15,203,832
Share premium	21	173,800,592	173,292,246
Currency translation reserve		30,097,583	34,732,082
Retained earnings		158,801,947	132,094,134
Total equity		377,982,161	355,322,294
Total equity and liabilities		534,583,383	498,524,418

The notes on pages 18 to 55 are an integral part of these consolidated financial statements. The financial statements on pages 11 to 55 were authorised for issue by the Board of directors on 19 December 2017 and were signed on their behalf by:



A D Armstrong (Director)



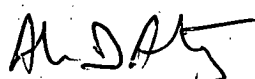
K Stephens (Director)


Registered number: NI 041551

Parent company balance sheet as at 30 September 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	9	8,568,985	7,715,185
Other intangible assets	11	1,320,959	1,558,461
Investments in subsidiaries	12	173,401,018	173,401,017
Deferred income tax assets	13	751,342	395,010
Total non-current assets		184,042,304	183,069,673
Current assets			
Trade and other receivables	15	235,853,158	216,276,163
Cash and cash equivalents	16	4,016,972	4,511,824
Total current assets		239,870,130	220,787,987
Total assets		423,912,434	403,857,660
Equity and liabilities			
Liabilities			
Current liabilities			
Borrowings	17	192,380,591	165,008,333
Trade and other payables	18	26,236,639	20,430,017
Current income tax liabilities		366,750	367,801
Total current liabilities		218,983,980	185,806,151
Non-current liabilities			
Borrowings	17	11,189,326	22,990,616
Deferred income	19	23,891	45,659
Other non-current liabilities	20	5,266,692	3,703,651
Total non-current liabilities		16,479,909	26,739,926
Total liabilities		235,463,889	212,546,077
Equity attributable to owners of the parent			
Share capital	21	15,282,039	15,203,832
Share premium	21	173,800,592	173,292,246
Accumulated losses/(retained earnings)			
At 1 October		2,815,505	(4,979,651)
(Loss)/profit for the year		(3,449,591)	7,795,156
At 30 September		(634,086)	2,815,505
Total equity		188,448,545	191,311,583
Total equity and liabilities		423,912,434	403,857,660

The notes on pages 18 to 55 are an integral part of these financial statements. The financial statements on pages 11 to 55 were authorised for issue by the Board of directors on 19 December 2017 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 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	23	45,568,214	34,716,726
Finance costs		(1,153,961)	(1,083,059)
Income tax paid		(6,024,474)	(5,126,980)
Net cash generated from operating activities		38,389,779	28,506,687
Cash flows from investing activities			
Purchase of intangible assets		(4,833,861)	(5,162,979)
Purchase of property, plant and equipment		(31,283,563)	(26,839,667)
Capital grants received		3,899,181	1,936,896
Purchase of subsidiary (net of cash acquired)		-	(3,741,034)
Proceeds from disposal of property, plant and equipment		90,331	321,193
Finance income		9,148	28,024
Net cash used in investing activities		(32,118,764)	(33,457,567)
Cash flows from financing activities			
Finance lease principal payments		(551,377)	(180,204)
Issue of share capital		586,553	-
Proceeds from borrowings		-	849,419
Repayment of borrowings net of new loans received		(3,745,825)	(4,203,592)
Repayments to related parties (net)		(817,140)	(817,139)
Net cash used in financing activities		(4,527,789)	(4,351,516)
Effect of foreign exchange movement on cash and cash equivalents		(812,753)	3,523,045
Net (decrease)/increase in cash and cash equivalents		930,473	(5,779,351)
Cash, cash equivalents and overdrafts at beginning of the year		28,661,694	28,661,695
Cash, cash equivalents and overdrafts at end of the year	16	29,592,167	28,661,695

The notes on pages 18 to 55 are an integral part of these consolidated financial statements.

Parent company cash flow statement for the year ended 30 September 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	23	1,509,889	1,023,457
Finance costs		(8,274,201)	(4,950,583)
Income tax paid		-	(1,026,826)
Net cash used in operating activities		(6,764,312)	(4,953,952)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,584,259)	(2,059,086)
Proceeds on disposal of property, plant and equipment		-	83,056
Investment in subsidiary undertakings		-	(50,545)
Purchase of intangible assets		(392,342)	(651,711)
Advances to group undertakings		(14,070,897)	(40,646,448)
Finance income		6,159,437	16,406,848
Net cash used in investing activities		(9,888,061)	(26,917,886)
Cash flows from financing activities			
Finance lease principal payments		(370,116)	(632,848)
Repayment of borrowings		(3,101,006)	(3,096,613)
Advances from group undertakings		19,399,230	20,914,060
Repayments to related parties		(357,140)	(357,140)
Issue of share capital		586,553	-
Net cash generated from financing activities		16,157,521	16,827,459
Net (decrease)/increase in cash and cash equivalents		(494,852)	(15,044,379)
Cash, cash equivalents and bank overdrafts at beginning of the year		4,511,824	19,556,203
Cash, cash equivalents and bank overdrafts at end of the year	16	4,016,972	4,511,824

The notes on pages 18 to 55 are an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 30 September 2017**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. The company is a private limited company incorporated and 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 19 December 2017.

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 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. 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.

New standards, amendments and interpretations effective in the year to 30 September 2017

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 2017.

No standards have been adopted by the group for the first time during the financial year beginning on or after 1 October 2016 that have had a material impact on the group.

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:

Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

Amendments to IAS 7, 'Statement of cash flows' (effective 1 January 2017)

IFRS 9, 'Financial instruments' (effective 1 January 2018)

IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)

Amendment to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (1 January 2018)

Amendment to IFRS 9, 'Financial instruments', on general hedge accounting (effective 1 January 2018)

Amendments to IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)

IFRS 16 (Leases) (1 January 2019)

The introduction of these new standards, interpretations and amendments is not expected to have a material impact on the company.

Notes to the financial statements for the year ended 30 September 2017 (continued)**1 Accounting policies (continued)****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.

(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.

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Accounting policies (continued)

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.

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.

Notes to the financial statements for the year ended 30 September 2017 (continued)**1 Accounting policies (continued)****Intangible assets (continued)***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.

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.

Notes to the financial statements for the year ended 30 September 2017 (continued)**1 Accounting policies (continued)****Financial assets**

The group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the group's financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets' at fair value through profit or loss category are presented in the income statement within 'other (losses)/gains - net' in the period in which they arise.

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 measureable 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.

Notes to the financial statements for the year ended 30 September 2017 (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 of 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 2017 (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 2017 (continued)**1 Accounting policies (continued)****Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown, net of sales taxes, returns, rebates and discounts.

The group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group considers this to be upon customer receipt of products, which is when title to the product is transferred to the customer or upon completion of services when results of testing have been delivered to the customer or logistics operations have been performed. The group uses the percentage-of-completion method in accounting for its fixed price contracts to deliver services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed.

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.

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.

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Accounting policies (continued)**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 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.

3 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:

	2017		2016	
	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%	(282)	(282)	(290)	(290)
Interest rates decrease by 1%	+282	+282	+290	+290

Notes to the financial statements for the year ended 30 September 2017 (continued)

3 Financial risk management (continued)**(iii) 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:

	2017		2016	
	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	(3,288)	(3,288)	(2,062)	(2,062)
US dollar strengthens by 10% against UK pound sterling	4,019	4,019	2,520	2,520

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.

4 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.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt 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.

Notes to the financial statements for the year ended 30 September 2017 (continued)

4 Capital risk management (continued)

The gearing ratios at 30 September were as follows:

Group	2017 £	2016 £
Total borrowings (note 17)	18,928,182	24,340,785
Less: cash and cash equivalents (note 16)	(31,381,277)	(30,682,837)
Net funds	(12,453,095)	(6,342,052)
Total equity	377,982,161	355,322,294
Total capital	365,529,066	348,980,242
Gearing ratio	(3.4%)	(1.8%)

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

5 Expenses by nature

Group	2017 £	2016 £
Changes in inventories of finished goods and work in progress	(1,241,205)	(3,816,357)
Raw materials and consumables used	140,623,146	126,975,191
Employee benefits expense - net of capitalised software development costs (note 7)	217,516,912	183,086,912
Depreciation and amortisation	22,302,414	20,802,679
Operating lease payments	5,575,200	4,584,448
Transfer from capital grant reserve (note 19)	(1,807,467)	(1,996,447)
Revenue grants	(2,554,720)	(2,042,157)
(Profit)/loss on disposal of property, plant and equipment and intangibles	(4,336)	1,620
Other expenses*	116,835,514	92,553,516
Total cost of sales, distribution costs, administrative expenses and research and development expenditure	497,245,458	420,149,405

*Research and development expenditure of £8,205,011 (2016: £7,379,988) is included within other expenses and is stated after the deduction of £1,220,416 (2016: £826,185) of research and development tax credits. A further £1,691,051 (2016: £1,628,591) of research and development tax credits has been deducted from other expenses.

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

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

Group	2017 £	2016 £
Fees payable to the group's auditors for the audit of parent company and consolidated financial statements	13,319	12,807
Fees payable to the group's auditors and its associates for other services:		
- the audit of the company's subsidiaries pursuant to legislation	215,297	191,813
- tax services	421,393	269,333
- other services	78,578	53,238

Notes to the financial statements for the year ended 30 September 2017 (continued)

6 Finance costs - net

Group	2017 £	2016 £
Interest expense:		
Interest payable on bank borrowings	(641,456)	(696,560)
Interest payable on related party loans	(43,405)	(60,345)
Interest payable on other loans	(56,455)	(55,244)
Interest payable on finance leases	(14,104)	(33,441)
Foreign exchange losses on financing activities	(289,789)	-
Other finance costs	(108,752)	(237,469)
Finance costs	(1,153,961)	(1,083,059)
Interest income:		
Interest receivable on bank deposits	9,148	28,024
Foreign exchange gains on financing activities	-	765,620
Finance income	9,148	793,644
Finance costs - net	(1,144,813)	(289,415)

7 Employees and directors

Group and Company	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Staff costs during the year:				
Wages and salaries (including capitalised software development costs)	193,945,483	163,381,196	15,320,188	14,408,866
Social security costs	16,356,076	14,572,182	1,556,833	1,827,228
Other pension costs (note 24)	5,162,454	4,411,928	488,277	473,285
Share based payment costs (note 28)	2,620,080	1,273,193	534,835	158,445
	218,084,093	183,638,499	17,900,133	16,867,824

The wages and salary costs includes £567,181 (2016: £551,587) of capitalised labour costs.

Group and Company	Group		Company	
	2017 Number	2016 Number	2017 £	2016 £
Average monthly number of persons employed (including directors) during the year by activity:				
Production	3,445	3,099	-	-
Sales and marketing	179	145	-	-
Administration	712	665	325	291
Research and development	71	66	-	-
	4,407	3,975	325	291

Notes to the financial statements for the year ended 30 September 2017 (continued)

7 Employees and directors (continued)

Key management compensation

Group	2017 £	2016 £
Salaries and other short term employee benefits	8,668,542	8,144,117
Pension costs - defined contributions plans	234,627	300,971

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

Directors	2017 £	2016 £
Aggregate emoluments	1,637,743	1,826,844
Pension costs - defined contributions plans	59,859	125,852

Four (2016: five) directors have retirement benefits accruing under a defined contribution plan. Four (2016: five) directors have exercised phantom share options in the year.

Highest paid director	2017 £	2016 £
Aggregate emoluments	532,706	516,758
Pension costs - defined contributions plans	-	14,985

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

8 Income tax expense

	2017 £	2016 £
Current tax		
UK corporation tax	4,848,150	8,159,450
Overseas tax	250,892	260,546
Adjustment in respect of previous years	(478,449)	(290,472)
Total current tax expense	4,620,593	8,129,524
Deferred tax		
Origination and reversal of temporary differences	943,516	(452,568)
Impairment of deferred tax asset charged to the income statement	625,969	5,053,454
Changes in tax laws and rates	(200,376)	(647,581)
Adjustment in respect of previous years	333,941	35,223
Total deferred tax charge (note 13)	1,703,050	3,988,528
Income tax expense	6,323,643	12,118,052

Notes to the financial statements for the year ended 30 September 2017 (continued)

8 Income tax expense (continued)

The tax on the group's profit before income tax differs from (2016: differs from) the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2017 £	2016 £
Profit before income tax	33,031,456	26,785,268
Profit before income tax at the UK standard rate of 19.5% (2016: 20%)	6,441,134	5,357,054
Effects of:		
Expenses not deductible for tax purposes	66,015	3,123,695
Income not taxable	(576,861)	(380,389)
Effect of overseas tax rates	-	(40,112)
Movement in deferred tax not provided	34,278	2,138,364
Group relief not paid	74,993	70,876
Adjustments in respect of previous periods - current tax	(478,449)	(290,472)
Adjustments in respect of previous periods - deferred tax	333,941	35,233
Changes in tax laws and rates	(200,376)	(647,581)
Impairment of deferred tax asset charged to the income statement	-	5,053,454
Deferred tax asset not recognised	625,969	-
Utilisation of tax losses not previously recognised as a deferred tax asset	(3,743)	(2,269,880)
Accelerated capital allowances	6,742	(32,190)
Income tax expense	6,323,643	12,811,052

Notes to the financial statements for the year ended 30 September 2017 (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 2015	186,750,128	21,634	71,576,464	34,370,864	357,603	293,076,693
Acquisitions	411,886	-	1,150,814	9,727	-	1,572,427
Transfers	(260,167)	(21,634)	13,498	268,303	-	-
Additions	2,047,319	10,907,450	9,226,539	6,062,044	38,131	28,281,483
Disposals	(247,540)	-	(410)	(148,346)	(46,697)	(442,993)
Exchange adjustment	13,867,621	-	2,285,896	2,223,964	42,042	18,419,523
At 1 October 2016	202,569,247	10,907,450	84,252,801	42,786,556	391,079	340,907,133
Transfers	-	(644,403)	644,403	145,592	-	145,592
Additions	2,650,683	13,235,960	11,424,202	4,830,106	44,083	32,185,034
Disposals	(20,295)	-	(605,691)	(138,153)	(45,882)	(810,021)
Exchange adjustment	(2,895,063)	(19,790)	(423,714)	(556,751)	(8,440)	(3,903,758)
At 30 September 2017	202,304,572	23,479,217	95,292,001	47,067,350	380,840	368,523,980
Accumulated depreciation and aggregate impairments						
At 1 October 2015	28,352,812	-	45,001,991	23,193,097	293,775	96,841,675
Charge for the year	4,903,948	-	5,705,694	3,328,660	22,435	13,960,737
Transfers	(45,592)	-	-	45,592	-	-
Disposals	(816)	-	(38)	(76,162)	(43,164)	(120,180)
Exchange adjustment	1,774,632	-	1,123,080	1,655,516	40,149	4,593,377
At 1 October 2016	34,984,984	-	51,830,727	28,146,703	313,195	115,275,609
Charge for the year	5,201,054	-	5,954,610	3,760,054	30,293	14,946,011
Disposals	-	-	(210,405)	(56,977)	(45,882)	(313,264)
Exchange adjustment	(526,015)	-	(301,173)	(461,306)	(8,205)	(1,296,699)
At 30 September 2017	39,660,023	-	57,273,759	31,388,474	289,401	128,611,657
Net book amount						
At 30 September 2017	162,644,549	23,479,217	38,018,242	15,678,877	91,439	239,912,323
At 30 September 2016	167,584,263	10,907,450	32,422,074	14,639,853	77,884	225,631,524
At 30 September 2015	158,397,316	21,634	26,574,473	11,177,767	63,828	196,235,018

Borrowings totalling £16,894,992 (2016: £21,490,455) are secured against the above assets (note 17).

Interest costs of £nil (2016: £nil) were capitalised during the year. Cumulative interest capitalised at 30 September 2017 was £1,082,549 (2016: £1,082,549).

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

Notes to the financial statements for the year ended 30 September 2017 (continued)

9 Property, plant and equipment (continued)

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

Group	Plant and Machinery £	Fixtures, fittings and computer equipment £	2017 Total £	2016 Total £
Cost	143,765	3,945,224	4,088,989	4,404,251
Accumulated depreciation	(37,725)	(2,970,072)	(3,007,797)	(2,762,365)
Net book amount	106,040	975,152	1,081,192	1,641,886

Company	Land and buildings £	Plant and Machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2015	2,931,455	1,850,386	4,101,796	43,513	8,927,150
Additions	959,799	21,200	1,882,203	10,975	2,874,177
Disposals	(20,410)	(410)	(72,000)	-	(92,820)
At 1 October 2016	3,870,844	1,871,176	5,911,999	54,488	11,708,507
Transfers	-	-	145,592	-	145,592
Additions	143,576	91,507	1,536,228	15,890	1,787,201
Disposals	(20,295)	(1,189)	(138,153)	-	(159,637)
At 30 September 2017	3,994,125	1,961,494	7,455,666	70,378	13,481,663
Accumulated depreciation					
At 1 October 2015	164,639	1,149,807	1,771,444	36,357	3,122,247
Charge for the year	48,887	177,784	642,940	2,318	871,929
Disposals	(816)	(38)	-	-	(854)
At 1 October 2016	212,710	1,327,553	2,414,384	38,675	3,993,322
Charge for the year	48,877	143,951	778,444	6,250	977,522
Disposals	-	(1,189)	(56,977)	-	(58,166)
At 30 September 2017	261,587	1,470,315	3,135,851	44,925	4,912,678
Net book amount					
At 30 September 2017	3,732,538	491,179	4,319,815	25,453	8,568,985
At 30 September 2016	3,658,134	543,623	3,497,615	15,813	7,715,185
At 30 September 2015	2,766,816	700,579	2,330,352	7,156	5,804,903

Borrowings totalling £12,920,336 (2016: £16,391,458) 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 2017 (continued)

9 Property, plant and equipment (continued)

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

Company	Fixtures, fittings and computer equipment 2017 £	Fixtures, fittings and computer equipment 2016 £
Cost	629,500	629,500
Accumulated depreciation	(480,825)	(354,925)
Net book amount	148,675	274,575

10 Goodwill

Group	£
Cost	
At 1 October 2015	66,719,496
On acquisition	661,613
Exchange adjustment	4,193,813
At 1 October 2016	71,574,922
Exchange adjustment	(900,164)
At 30 September 2017	70,674,758
Accumulated amortisation and impairment	
At 1 October 2015 and 1 October 2016 and at 30 September 2017	4,910,114
Net book amount	
At 30 September 2017	65,764,644
At 30 September 2016	66,664,808
At 30 September 2015	61,809,382

Goodwill relates to the group's clinical services business. The group's clinical services business, together with the UK clinical services business in Almac Group (UK) Limited, 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 2 to 26% (2016: 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% (2016: 2%), which do not exceed the long term 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% (2016: 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 2017 (continued)

11 Other intangible assets

Group	Product licences £	Computer software £	Total £
Cost			
At 1 October 2015	26,900,030	53,282,435	80,182,465
Additions	509,464	4,653,515	5,162,979
Exchange adjustment	523,682	2,590,764	3,114,446
At 1 October 2016	27,933,176	60,526,714	88,459,890
Transfers	-	(145,592)	(145,592)
Additions	985,764	3,868,750	4,854,514
Disposals	-	(29,934)	(29,934)
Exchange adjustment	(113,290)	(569,724)	(683,014)
At 30 September 2017	28,805,650	63,650,214	92,455,864
Accumulated amortisation			
At 1 October 2015	19,948,352	21,890,761	41,839,113
Amortisation in the year	1,105,321	5,736,621	6,841,942
Exchange adjustment	122,358	1,492,392	1,614,750
At 1 October 2016	21,176,031	29,119,774	50,295,805
Amortisation in the year	1,288,945	6,067,458	7,356,403
Disposals	-	(9,281)	(9,281)
Exchange adjustment	(47,922)	(442,955)	(490,877)
At 30 September 2017	22,417,054	34,734,996	57,152,050
Net book amount			
At 30 September 2017	6,388,596	28,915,218	35,303,814
At 30 September 2016	6,757,145	31,406,940	38,164,085
At 30 September 2015	6,951,678	31,391,674	38,343,352

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

The transfer of assets represents software under development moving into computer equipment within property, plant and equipment.

Notes to the financial statements for the year ended 30 September 2017 (continued)

11 Other intangible assets (continued)

Company	Computer software £
Cost	
At 1 October 2015	4,389,746
Additions	651,711
At 1 October 2016	5,041,457
Transfers	(145,592)
Additions	433,648
Disposals	(29,934)
At 30 September 2017	5,299,579
Accumulated amortisation	
At 1 October 2015	2,750,688
Amortisation in the year	732,308
At 1 October 2016	3,482,996
Amortisation in the year	504,905
Disposals	(9,281)
At 30 September 2017	3,978,620
Net book amount	
At 30 September 2017	1,320,959
At 30 September 2016	1,558,461
At 30 September 2015	1,639,058

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

Notes to the financial statements for the year ended 30 September 2017 (continued)

12 Investments in subsidiaries

Company	£
Cost	
At 1 October 2015	175,042,529
Additions	50,545
At 1 October 2016	175,093,074
Additions	1
At 30 September 2017	175,093,075
Provisions for impairment	
At 1 October 2015, 1 October 2016 and 30 September 2017	1,692,057
Net book amount	
At 30 September 2017	173,401,018
At 30 September 2016	173,401,017
At 30 September 2015	173,350,472

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 2017 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 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 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 2017 (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%
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 Sciences Incorporated	United States of America ¹¹	Dormant 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 2017 (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 ¹²	Dormant company	0%	100%
Applied Clinical Concepts Incorporated	United States of America ¹³	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%
Almac Sciences (Ireland) Limited	Republic of Ireland ⁴	Dormant company	0%	100%
MPI Europharma Limited	Republic of Ireland ⁵	Provision of services to pharmaceutical and biotechnology companies	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 327 Hillsborough Street, Raleigh, NC 27603

¹²The registered office of this entity is CSC, 103 Foulk Road, Suite 103, Wilmington, DE 19803 - 3742

¹³The registered office of this entity is 011 Allen Building, Durham, NC 27708

Notes to the financial statements for the year ended 30 September 2017 (continued)

13 Deferred income tax

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

Group	Assets		Liabilities		Total	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£
At 1 October	2,636,399	4,366,906	(8,927,119)	(6,469,136)	(6,290,720)	(2,102,230)
Exchange adjustment	-	76,124	74,052	(217,935)	74,052	(141,811)
On acquisition	-	-	-	(58,151)	-	(58,151)
(Charged)/credited to the income statement	(493,668)	(1,806,631)	(1,209,382)	(2,181,897)	(1,703,050)	(3,988,528)
At 30 September	2,142,731	2,636,399	(10,062,449)	(8,927,119)	(7,919,718)	(6,290,720)

Company	2017	2016
	£	£
At 1 October	395,010	147,495
Credited to the income statement	356,332	247,515
At 30 September	751,342	395,010

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 2015	(20,570,693)	17,476,089	992,374	(2,102,230)
Credited/(charged) to the income statement	269,807	(5,332,193)	1,073,858	(3,988,528)
On acquisition	(58,151)	-	-	(58,151)
Exchange adjustments	(523,861)	301,199	80,851	(141,811)
At 1 October 2016	(20,882,898)	12,445,095	2,147,083	(6,290,720)
Credited/(charged) to the income statement	(804,712)	(1,436,296)	537,958	(1,703,050)
Exchange adjustments	74,052	-	-	74,052
At 30 September 2017	(21,613,558)	11,008,799	2,685,041	(7,919,718)

Within other temporary differences, £983,612 relates to employee benefits (2016: £912,488).

Company - deferred tax assets	Accelerated capital allowances	Other temporary differences	Total
	£	£	£
At 1 October 2015	(171,762)	319,257	147,495
Adjustments in respect of prior periods	(12,678)	(48,026)	(60,704)
(Charged)/credited to the income statement	(14,130)	322,349	308,219
At 1 October 2016	(198,570)	593,580	395,010
(Charged)/credited to the income statement	(44,879)	401,211	356,332
At 30 September 2017	(243,499)	994,791	751,342

Notes to the financial statements for the year ended 30 September 2017 (continued)

13 Deferred income tax (continued)

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred tax assets:				
- to be recovered after more than 12 months	2,142,731	-	994,791	-
- to be recovered within 12 months	-	2,636,399	-	593,580
	2,142,731	2,636,399	994,791	593,580
Deferred tax liabilities:				
- to be recovered after more than 12 months	(9,156,172)	(1,197,924)	(243,449)	-
- to be recovered within 12 months	(906,277)	(7,729,195)	-	(198,570)
	(10,062,449)	(8,927,119)	(243,449)	(198,570)
Deferred tax (liabilities)/assets – net	(7,919,718)	(6,290,720)	751,342	395,010

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	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	235,411	2,562	68,361	-
Tax losses	14,997,403	18,797,488	-	-
Other temporary differences	320,535	225,981	-	-
	15,553,349	19,026,031	68,361	-

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

	2017	2016
Group	£	£
Raw materials	11,169,323	9,593,020
Work in progress	1,912,594	1,452,191
Finished goods	11,581,684	10,800,882
	24,663,601	21,846,093

Movement in Inventory provision

	2017	2016
	£	£
At 1 October 2016	2,012,109	1,997,193
Provision for impairment	212,764	14,916
At 30 September 2017	2,224,873	2,012,109

The cost of inventories recognised as expense and included in cost of sales amounted to £139,381,941 (2016: £123,158,834).

Notes to the financial statements for the year ended 30 September 2017 (continued)

15 Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade receivables	100,167,605	91,889,481	-	-
Less: provision for impairment of trade receivables	(2,803,631)	(1,336,348)	-	-
Trade receivables (net)	97,363,974	90,553,133	-	-
Amounts owed by group undertakings (note 30)	-	-	228,704,561	214,524,704
Group relief receivable	-	-	218,405	-
Other receivables	7,099,039	3,432,774	3,378,671	85,871
Prepayments and accrued income	28,822,417	18,912,765	3,551,521	1,665,588
	133,285,430	112,898,672	235,853,158	216,276,163

Trade receivables includes an amount of £4,726,450 (2016: £4,674,516) 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 7 "Financial instruments: Disclosures", all of the group's and parent company's financial assets are classified as loans and receivables or available-for-sale. The group and parent company have no assets that are classified as held at fair value through profit and loss, or held to maturity.

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Currency				
UK pound sterling	63,845,802	64,380,653	114,698,153	117,492,334
US dollar	62,178,286	43,465,930	120,687,167	98,783,829
Euro	7,261,342	5,052,089	467,838	-
	133,285,430	112,898,672	235,853,158	216,276,163

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 2017 was £2,803,631 (2016: £1,336,348). 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.

Notes to the financial statements for the year ended 30 September 2017 (continued)

15 Trade and other receivables (continued)

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
At 1 October	1,336,348	1,410,982	-	-
Exchange adjustment	(31,445)	127,292	-	-
Provision for receivables impairment	1,706,191	145,088	-	-
Receivables written off during the year as uncollectible	(25,083)	(140,012)	-	-
Unused amounts reversed	(182,380)	(207,002)	-	-
At 30 September	2,803,631	1,336,348	-	-

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

As of 30 September 2017 trade receivables of £21,841,530 (2016: £14,124,643) 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	
	2017	2016	2017	2016
	£	£	£	£
Up to two months overdue	17,780,536	11,533,266	-	-
More than two months overdue	4,060,994	2,591,377	-	-
	21,841,530	14,124,643	-	-

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

16 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash at bank and in hand	24,866,039	23,000,619	4,016,972	4,511,824
Short term deposits	6,515,238	7,682,218	-	-
	31,381,277	30,682,837	4,016,972	4,511,824

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash and cash equivalents	31,381,277	30,682,837	4,016,972	4,511,824
Bank overdrafts (note 17)	(1,789,110)	(2,021,143)	-	-
	29,592,167	28,661,694	4,016,972	4,511,824

Notes to the financial statements for the year ended 30 September 2017 (continued)

17 Borrowings

	Group		Company	
	2017	2016	2017	2016
Current	£	£	£	£
Bank overdrafts - secured (a)	1,789,110	2,021,143	-	-
Bank loans - secured (a)	3,812,436	3,510,405	3,415,421	3,116,559
Other loans - secured	267,427	355,487	-	92,757
Amounts owed to group undertakings (b) (note 30)	-	-	188,328,131	161,071,761
Amounts owed to related parties (c) (note 30)	1,229,605	817,140	357,140	357,140
Finance lease obligations (d)	450,645	556,046	279,899	370,116
	7,549,223	7,260,221	192,380,591	165,008,333

Bank loans and overdrafts includes an amount of £nil (2016: £nil) in respect of receivables subject to invoice discounting.

	Group		Company	
	2017	2016	2017	2016
Non-current	£	£	£	£
Bank loans - secured (a)	10,213,062	13,961,895	9,157,092	12,464,203
Other loans - secured	226,505	493,932	-	-
Amounts owed to group undertakings (b) (note 30)	-	-	1,160,725	9,017,865
Amounts owed to related parties (c) (note 30)	803,585	2,033,190	803,585	1,160,725
Finance lease obligations (d)	135,807	591,547	67,924	347,823
	11,378,959	17,080,564	11,189,326	22,990,616
Total borrowings	18,928,182	24,340,785	203,569,917	187,998,949

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

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 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 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 is repayable over 20 quarters.

The above loans are secured against assets within the group.

- (b) Parent company: £180,470,991 (2016: £160,714,621) is owed to group undertakings. Interest is charged at LIBOR + margin, and the loans are repayable on demand.

£1,517,865 (2016: £1,875,005) 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. £7,500,000 (2016: £7,500,000) is owed to Galen Limited. Interest is charged at LIBOR plus a margin. The loan is being repaid in quarterly instalments which will commence in August 2018.

Notes to the financial statements for the year ended 30 September 2017 (continued)

17 Borrowings (continued)

- (c) Group: £872,465 (2016: £1,332,465) is owed to The McClay Foundation. Interest is charged at UK base rate plus 2.5%. This loan is repayable in annual instalments commencing November 2014.

Group and parent company: An additional amount of £1,160,725 (2016: £1,517,865) is owed to The McClay Foundation. Interest is charged at UK base rate plus 1%. The loan is being repaid in quarterly instalments from December 2014.

- (d) 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 7 "Financial instruments: Disclosures", the financial liabilities noted above are classified as other financial liabilities. The group has no liabilities that may be classified as held at fair value through profit and loss.

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
UK pound sterling	12,743,031	13,922,451	166,368,856	159,686,641
US dollar	6,185,151	10,418,334	33,357,372	28,312,308
Euro	-	-	3,843,689	-
	18,928,182	24,340,785	203,569,917	187,998,949

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

	2017	2016
	%	%
Bank overdrafts	2.00 - 3.10	2.00 - 3.00
Variable rate loans	1.35 - 2.85	1.35 - 2.85
Fixed rate 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 2017 (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 2017 £	Amounts owed to related parties 2017 £	Finance lease obligations 2017 £	Total 2017 £
In more than one year but not more than two years	3,890,373	357,140	109,450	4,356,963
In more than two years but not more than five years	6,549,194	446,445	26,357	7,021,996
	10,439,567	803,585	135,807	11,378,959

Group	Bank and other loans 2016 £	Amounts owed to related parties 2016 £	Finance lease obligations 2016 £	Total 2016 £
In more than one year but not more than two years	3,878,463	1,229,605	455,049	5,563,117
In more than two years but not more than five years	10,577,364	803,585	136,498	11,517,447
	14,455,827	2,033,190	591,547	17,080,564

Company	Bank loans 2017 £	Amounts owed to group undertakings 2017 £	Amounts owed to related parties 2017 £	Finance lease obligations 2017 £	Total 2017 £
In more than one year but not more than two years	3,251,928	357,140	357,140	67,924	4,034,132
In more than two years but not more than five years	5,905,164	714,300	446,445	-	7,065,909
In more than five years	-	89,285	-	-	89,285
	9,157,092	1,160,725	803,585	67,924	11,189,326

Company	Bank loans 2016 £	Amounts owed to group undertakings 2016 £	Amounts owed to related parties 2016 £	Finance lease obligations 2016 £	Total 2016 £
In more than one year but not more than two years	3,201,805	7,857,140	357,140	279,899	11,695,984
In more than two years but not more than five years	9,262,398	1,071,440	803,585	67,924	11,205,347
In more than five years	-	89,285	-	-	89,285
	12,464,203	9,017,865	1,160,725	347,823	22,990,616

Notes to the financial statements for the year ended 30 September 2017 (continued)

17 Borrowings (continued)

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 2017 £	Amounts owed to related parties 2017 £	Finance lease obligations 2017 £	Total 2017 £
Less than one year	6,289,165	1,246,119	456,990	7,992,274
In more than one year but not more than two years	4,195,682	365,509	112,219	4,673,410
In more than two years but not more than five years	6,858,409	450,631	27,464	7,336,504
	17,343,256	2,062,259	596,673	20,002,188

Group	Bank loans, other loans and bank overdraft 2016 £	Amounts owed to related parties 2016 £	Finance lease obligations 2016 £	Total 2016 £
Less than one year	5,962,288	836,379	568,584	7,367,251
In more than one year but not more than two years	4,233,701	1,244,379	461,715	5,939,795
In more than two years but not more than five years	11,008,489	816,141	140,104	11,964,734
	21,204,478	2,896,899	1,170,403	25,271,780

Company	Bank loans and overdrafts 2017 £	Amounts owed to group undertakings 2017 £	Amounts owed to related parties 2017 £	Finance lease obligations 2017 £	Total 2017 £
Less than one year	3,783,174	189,250,181	369,973	279,899	193,683,227
In more than one year but not more than two years	3,524,635	368,857	365,509	67,924	4,326,925
In more than two years but not more than five years	6,914,587	724,342	450,631	-	7,369,560
In more than five years	-	89,285	-	-	89,285
	13,502,396	190,432,665	1,186,113	347,823	205,468,997

Notes to the financial statements for the year ended 30 September 2017 (continued)

17. Borrowings (continued)

Company	Bank loans and overdrafts 2016 £	Amounts owed to group undertakings 2016 £	Amounts owed to related parties 2016 £	Finance lease obligations 2016 £	Other loans 2016 £	Total 2016 £
Less than one year	3,501,965	161,092,406	374,438	370,116	95,216	165,434,141
In more than one year but not more than two years	3,502,989	8,970,440	369,973	279,899	-	13,123,301
In more than two years but not more than five years	9,638,700	1,093,199	816,141	67,924	-	11,615,964
In more than five years	-	89,285	-	-	-	89,285
	16,643,654	171,245,330	1,560,552	717,939	95,216	190,262,691

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

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Not later than one year	456,990	568,584	279,899	370,116
Later than one year but not more than five years	139,683	601,819	67,924	347,823
	596,673	1,170,403	347,823	717,939
Future finance charges on finance leases	(10,221)	(22,810)	-	-
Present value of finance lease liabilities	586,452	1,147,593	347,823	717,939

18 Trade and other payables

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade payables	25,523,372	30,572,881	1,782,006	683,355
Amounts owed to group undertakings (note 30)	-	-	12,334,238	11,425,540
Group relief payable (note 30)	-	-	-	1,443,751
Other tax and social security	3,798,197	2,766,480	1,269,117	678,155
Other creditors	6,754,269	7,293,831	61,603	86,236
Accruals and deferred income	62,869,637	42,954,544	10,789,675	6,112,980
	98,945,475	83,587,736	26,236,639	20,430,017

Included in accruals and deferred income is a provision of £2,602,985 (2016: £1,733,948) in respect of a potential medical claims incurred but not reported relating to the self-insured medical scheme in subsidiary companies.

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 7 "Financial instruments: Disclosures" the financial liabilities noted above are classified as other financial liabilities. The group and parent company have no liabilities that may be classified as held at fair value through profit and loss.

Notes to the financial statements for the year ended 30 September 2017 (continued)

19 Deferred income

	Group £	Company £
Government and other grants		
At 1 October 2015	14,493,518	67,427
On acquisition	6,063	-
Capital grants received during the year	1,936,896	-
Released to the income statement	(1,996,447)	(21,768)
Exchange adjustment	413,711	-
At 1 October 2016	14,853,741	45,659
Capital and other grants received during the year	3,899,181	-
Reversal of previously recognised grants	(309,291)	-
Released to the income statement	(1,807,467)	(21,768)
Exchange adjustment	(83,203)	-
At 30 September 2017	16,552,961	23,891

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Less than one year	2,270,290	1,995,827	21,768	21,768
In more than one year but not more than two years	2,163,871	1,835,988	2,123	21,768
In more than two years but not more than five years	5,888,543	4,223,245	-	2,123
Later than five years	6,230,257	6,798,681	-	-
	16,552,961	14,853,741	23,891	45,659

Notes to the financial statements for the year ended 30 September 2017 (continued)

20 Other non-current liabilities

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Accruals	12,112,155	8,866,497	5,266,692	3,006,533
Other creditors	-	-	-	697,118
	12,112,155	8,866,497	5,266,692	3,703,651

Maturity of non-current liabilities

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
In more than one year but not more than two years	7,207,950	2,251,207	4,740,388	1,105,188
In more than two years but not more than five years	4,863,548	6,555,116	526,304	2,598,463
In more than five years	40,657	60,174	-	-
	12,112,155	8,866,497	5,266,692	3,703,651

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

21 Share capital and share premium

Group and company	2017	2016
Authorised share capital	£	£
139,999,999 (2016: 139,999,999) ordinary A shares of £1 each	139,999,999	139,999,999
10,000,000 (2016: 10,000,000) class B non-voting ordinary shares of £1 each	10,000,000	10,000,000
1 (2016:1) founder share of £1	1	1
	150,000,000	150,000,000

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 2015 and 1 October 2016	13,442,248	1,761,583	1	15,203,832
Issue of share capital	78,207	-	-	78,207
At 30 September 2017	13,520,435	1,761,583	1	15,282,039

Notes to the financial statements for the year ended 30 September 2017 (continued)

21 Share capital and share premium

Group and company	Share premium £
At 1 October 2015 and 1 October 2016	173,292,246
Issue of share capital	508,346
At 30 September 2017	173,800,592

On 22 November 2016, the company issued £78,207 of ordinary A shares of £1 each at a total consideration of £586,553

22 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 2017 no shares of the parent company were held by the Trusts.

23 Cash generated from operations

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Profit/(loss) before income tax	33,031,456	26,785,268	(4,013,729)	9,864,255
Adjustments for:				
Finance income	(9,148)	(793,644)	(6,159,437)	(16,406,848)
Finance costs	1,153,961	1,083,059	8,274,201	4,950,583
Depreciation of property, plant and equipment	14,946,011	13,960,737	977,522	871,929
Amortisation of intangible assets	7,356,403	6,841,942	504,905	732,308
Research and development credit	(2,911,467)	-	-	-
(Profit)/loss on disposal of property, plant and equipment	(4,336)	(1,620)	-	8,910
Release of capital grant	(1,807,467)	(1,996,447)	(23,891)	(21,768)
Movement in inventories	(2,898,858)	(3,411,646)	-	-
Movement in trade and other receivables	(21,896,434)	(30,303,265)	(5,287,693)	(2,105,290)
Movement in trade and other payables	18,608,093	22,552,342	7,238,011	3,129,378
Net cash generated from operations	45,568,214	34,716,726	1,509,889	1,023,457

The principal non-cash transaction is the inception of £nil (2016: £210,890) of finance leases for additions in the current year.

24 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	2017 £	2016 £
Defined contribution scheme	5,162,454	4,411,928

Amounts owed to the pension scheme as at 30 September 2017 totalled £660,878 (2016: £545,986).

Notes to the financial statements for the year ended 30 September 2017 (continued)

25 Capital and other financial commitments

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

Group	2017 £	2016 £
Property, plant and equipment	7,572,940	14,516,281

26 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	
	2017 £	2016 £	2017 £	2016 £	2017 £	2016 £
No later than one year	228,607	276,505	4,719,909	4,369,589	91,868	71,823
More than one year and no later than five years	234,484	363,547	11,861,260	6,475,961	225,874	164,806
Later than five years	-	-	18,126,819	2,209,698	-	499
	463,091	640,052	34,707,987	13,055,248	317,742	237,128

Company	Motor vehicles		Buildings		Other	
	2017 £	2016 £	2017 £	2016 £	2017 £	2016 £
No later than one year	78,845	113,233	1,150,574	212,400	12,142	10,431
More than one year and no later than five years	75,477	139,728	7,019,720	729,600	9,862	17,008
After 5 years	-	-	16,606,753	406,875	-	-
	154,322	252,961	24,777,047	1,348,875	20,004	27,439

27 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.

Notes to the financial statements for the year ended 30 September 2017 (continued)

28 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 2017	30 September 2016
Share price at grant date	£0.762	£0.651
Number of employees	111	112
Share awards	2,347,179	2,449,727
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	£0.762	£0.651

The weighted average fair value of share awards granted during the year determined using the Black-Scholes valuation model was £0.762 (2016: £0.651). 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.

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

	2017 Number	2016 Number
Outstanding at 1 October	7,093,028	7,116,265
Granted	2,345,924	2,458,135
Forfeited	(178,737)	(231,677)
Exercised	(2,342,015)	(2,249,695)
Outstanding at 30 September	6,918,200	7,093,028
Exercisable on 1 January 2018/2017	2,283,008	2,311,451

The weighted average share price of share awards exercised in the year was £0.762 (2016: £0.651).

Notes to the financial statements for the year ended 30 September 2017 (continued)

28. Share-based payments

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

	2017 Number	2016 Number
2017	-	2,311,451
2018	2,283,008	2,368,212
2019	2,339,136	2,413,365
2020	2,296,056	-

The total expense recognised in the income statement was £2,620,080 (2016: £1,273,193). The liability at 30 September 2017 was £5,271,668 (2016: £4,121,049).

29 Business combinations

In December 2016 the Group acquired 100% of the share capital of MPI Europharma Limited. The consideration was cash settled.

The following table sets out the values of the identifiable assets and liabilities acquired and their professional fair values to the Group.

	Fair value €
Assets	
Intangible fixed assets	340,000
Net assets	340,000
Goodwill arising on acquisition	-
Consideration	340,000

All acquisition costs have been taken to the income statement.

The following gives i) the revenue and profit for the period to 30 September 2017 as though the acquisition date for all business combinations that occurred during the period had been as of the beginning of the reporting period and ii) the revenue and profit for the period since acquisition:

	12 months ending 30 September 2017 £
Revenue	-
Profit for the period	-

	9 months ending 30 September 2017 £
Revenue	-
Profit for the period	-

Notes to the financial statements for the year ended 30 September 2017 (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, C Hayburn and J W Irvine.

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	2017 £	2016 £
Interest payable to related parties	(43,405)	(60,345)
Amounts owed to related parties	(2,033,190)	(2,850,330)

Company	2017 £	2016 £
Sales to group undertakings	30,247,502	28,773,057
Purchases from group undertakings	312,861	(308,205)
Interest receivable from group undertakings	6,155,850	4,966,553
Interest payable to group undertakings	(4,587,919)	(4,118,588)
Amounts owed by group undertakings	228,704,561	214,524,704
Amounts owed to group undertakings	(201,823,094)	(182,212,284)
Amounts owed to related parties	(1,160,725)	(1,517,865)
Group relief receivable/(payable)	218,405	(1,443,751)

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.

31 Post balance sheet events

On 31 October 2017, the group acquired the shares of Bioclin Research Laboratories Ltd, a company registered in the Republic of Ireland and POA Scandinavia AB, a company registered in Sweden for a combined consideration of £13,056,875 and deferred consideration dependent on performance in future years. No fair value assessment has been performed as the completion accounts have not yet been finalised.

32 Financial instruments by category

The group and parent company's financial instruments are classified as follows:

Assets and liabilities	Category of financial instrument
Trade and other receivables	Loans and other receivables
Cash and cash equivalents	Loans and other receivables
Borrowings	Other financial liabilities at amortised cost
Trade and other payables	Other financial liabilities at amortised cost
Other non-current liabilities	Other financial liabilities at amortised cost