

Almac Discovery Limited
Annual report and financial statements
for the year ended 30 September 2011



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Almac Discovery Limited

Annual report and financial statements for the year ended 30 September 2011

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Directors and advisers

Directors

A D Armstrong
S Barr
C Hayburn
J W Irvine
S Campbell
K Stephens (appointed 1 January 2012)

Company secretary

C Hayburn

Registered office

Almac House
20 Seagoe Industrial Estate
Craigavon
County Armagh
BT63 5QD

Solicitors

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

Bankers

Northern Bank Limited
11 Donegall Square West
Belfast
BT1 6JS

Independent auditors

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

Directors' report for the year ended 30 September 2011

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2011.

Principal activities

Almac Discovery Limited is a private limited company incorporated and domiciled in Northern Ireland. The company's registered address is detailed on page 1.

The principal activities of the company are the discovery and development of novel and innovative approaches to the treatment of cancer and associated conditions.

Review of business and future developments

The company has incurred a loss for the year of £2,038,491 (2010: £2,090,751) during the year which is in line with expectations. The company foresees further losses in future years; however these are anticipated as a consequence of the research project programme. Funding commitments have been put in place to support the company through its development phase.

Financial risk management

Given the nature of its operations, the company has minimal exposure to foreign exchange risk. Regarding credit risk, it is standard company policy to perform appropriate credit checks on all potential customers before contracts are entered into. Further commentary is provided in note 3.

Results and dividends

The loss after income tax for the financial year is £2,038,491 (2010: £2,090,751). The directors do not recommend payment of a dividend (2010: £nil).

Research and development activities

The company is committed to research and development in the area of drug discovery and development of novel and innovative approaches to the treatment of cancer and associated conditions. Research in the year totaled £3,293,841 (2010: £3,127,603) and was expensed as incurred. No development expenditure was incurred in the year (2010: £nil).

Directors

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

Going concern

The directors have prepared cash flow forecasts for a period of at least twelve months from the date of signing of this report and confirm that adequate funding has been committed by the company's parent to support the company's operations and planned growth over this period. Consequently, the directors have prepared these financial statements on a going concern basis.

Political and charitable donations

During the year, the company made no charitable donations (2010: £1,000). No donations for political purposes were made during the year (2010: £nil).

Employees

The company systematically provides employees with all 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 company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in objectives.

Directors' report for the year ended 30 September 2011**Employees (continued)**

The company 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 company gives full and fair considerations 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 company. If members of staff become disabled the company continues employment, either in the same or an alternative position with appropriate retraining being given if necessary.

Small companies' exemption

The above report has been prepared in accordance with the special provisions relating to small companies with Part 15 of the Companies Act 2006.

Statement of disclosure of information to auditors

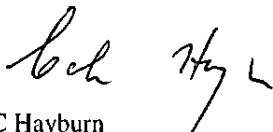
So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the 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 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.

By order of the Board



C Hayburn
Company secretary
20 January 2012

Statement of directors' responsibilities

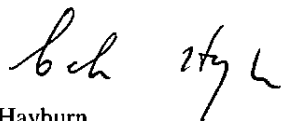
The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



C Hayburn
Company secretary
20 January 2012

Independent auditors' report to the members of Almac Discovery Limited

We have audited the financial statements of Almac Discovery Limited for the year ended 30 September 2011 which comprise the Income statement, the Statement of changes in equity, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

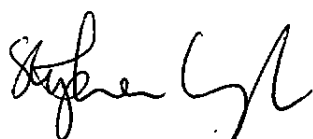
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Stephen Curragh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
20 January 2012

Income statement for the year ended 30 September 2011

	Note	2011 £	2010 £
Continuing operations			
Revenue	2	122,437	1,000,000
Research and development expenditure	6	(3,293,841)	(3,127,603)
Operating loss		(3,171,404)	(2,127,603)
Finance costs	5	(1,369)	-
Finance income	5	325	-
Finance costs – net	5	(1,044)	-
Loss before income tax		(3,172,448)	(2,127,603)
Income tax credit	8	1,133,957	36,852
Loss for the year attributable to owners of the company		(2,038,491)	(2,090,751)

The notes on pages 10 to 25 are an integral part of these financial statements.

There is no other comprehensive income for the year (2010: £nil).

Statement of changes in equity for the year ended 30 September 2011

	Share capital £	Retained earnings £	Total equity £
At 1 October 2009	2	(3,830,082)	(3,830,080)
Loss for the year and total comprehensive expense	-	(2,090,751)	(2,090,751)
At 1 October 2010	2	(5,920,833)	(5,920,831)
Loss for the year and total comprehensive expense	-	(2,038,491)	(2,038,491)
At 30 September 2011	2	(7,959,324)	(7,959,322)

The notes on pages 10 to 25 are an integral part of these financial statements.

Balance sheet as at 30 September 2011

	Note	2011 £	2010 £
Assets			
Non-current assets			
Intangible assets	9	7,811	10,206
Property, plant and equipment	10	2,038,612	2,207,450
Total non-current assets		2,046,423	2,217,656
Current assets			
Trade and other receivables	11	1,257,422	1,125,115
Cash and cash equivalents	12	-	8,181
Total current assets		1,257,422	1,133,296
Total assets		3,303,845	3,350,952
Liabilities			
Current liabilities			
Borrowings	15	117,648	-
Trade and other payables	13	1,318,287	834,800
Total current liabilities		1,435,935	834,800
Non-current liabilities			
Borrowings	15	8,370,000	6,875,000
Other non-current liabilities	14	231,070	217,496
Deferred income tax liabilities	16	186,764	246,744
Deferred income	17	1,039,398	1,097,743
Total non-current liabilities		9,827,232	8,436,983
Total liabilities		11,263,167	9,271,783
Equity			
Capital and reserves attributable to owners of the company			
Share capital	18	2	2
Retained earnings		(7,959,324)	(5,920,833)
Total equity		(7,959,322)	(5,920,831)
Total equity and liabilities		3,303,845	3,350,952

The notes on pages 10 to 25 are an integral part of these financial statements.

The financial statements on pages 6 to 25 were authorised for issue by the Board of directors on 20 January 2012 and were signed on their behalf by:



S Campbell (Director)



A D Armstrong (Director)

Cash flow statement for the year ended 30 September 2011

	Note	2011 £	2010 £
Cash flows from operating activities			
Cash used in operations	19	(1,589,296)	(2,810,573)
Finance costs		(1,369)	-
Net cash used in operating activities		(1,590,665)	(2,810,573)
Cash flows from investing activities			
Purchase of intangible assets		-	(8,777)
Purchase of property, plant and equipment		(103,622)	(267,738)
Capital grants received		73,133	134,961
Finance income		325	-
Net cash used in investing activities		(30,164)	(141,554)
Cash flows from financing activities			
Advances from group undertakings		1,495,000	2,775,000
Net cash generated from financing activities		1,495,000	2,775,000
Net decrease in cash and cash equivalents		(125,829)	(177,127)
Cash and cash equivalents and bank overdrafts at beginning of the year		8,181	185,308
Cash and cash equivalent and bank overdrafts at end of the year	12	(117,648)	8,181

The notes on pages 10 to 25 are an integral part of these financial statements.

Notes to the financial statements for the year ended 30 September 2011

1 Accounting policies

General information

The company's principal activities during the year were as described in the Directors' report. The financial statements are presented in UK pound sterling. Almac Discovery Limited is a private limited company incorporated and domiciled in Northern Ireland. The company's registered address is detailed on page 1.

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

Basis of preparation

The financial statements of Almac Discovery Limited have been prepared on the going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS. The 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 judgment in the process of applying the company's accounting policies. Management has concluded that there are no critical assumptions, estimates or judgements involving a high degree of judgment or complexity which require further disclosure. The company's accounting policies and estimates are detailed below.

New standards, amendments and interpretations effective in the year to 30 September 2011

During the year, the following standards, amendments and interpretations became effective:

		Effective date
International Accounting Standards (IASs/IFRSs)		
IFRS 1 (amendment)	First time adoption of IFRS: Additional exemptions	1 January 2010
IFRS 1 (amendment)	First time adoption of IFRS: Financial instrument disclosures	1 July 2010
IFRS 2 (amendment)	Share based payments: Group cash-settled share-based payment transactions	1 January 2010
IAS 32 (amendment)	Financial instruments: Presentation	1 February 2010
International Financial Reporting Interpretation Committee (IFRIC) Interpretations		
IFRIC 18	Transfer of assets from customers	31 October 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

None of these new and amended standards had any material impact on the company.

Notes to the financial statements for the year ended 30 September 2011

1 Accounting policies (continued)

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

During the year, the IASB and IFRIC have issued the following accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date):

		Effective date
International Accounting Standards (IASs/IFRSs)		
IAS 1 (amendment)*	Financial statement presentation	1 July 2012
IAS 12 (amendment)*	Income taxes	1 January 2012
IAS 19 (revised)*	Employee benefits	1 January 2013
IAS 24 (amendment)	Related party disclosures	1 January 2011
IAS 27 (revised 2011)*	Separate financial statements	1 January 2013
IAS 28 (revised 2011)*	Investments in associates and joint ventures	1 January 2013
IFRS 1(amendment)*	First time adoption	1 July 2011
IFRS 7 (amendment)*	Financial instruments – Disclosures on derecognition	1 July 2011
IFRS 9*	Financial instruments - Classification and measurement	1 January 2013
IFRS 10*	Consolidated financial statements	1 January 2013
IFRS 11*	Joint arrangements	1 January 2013
IFRS 12*	Disclosures of interests in other entities	1 January 2013
IFRS 13*	Fair value measurement	1 January 2013
International Financial Reporting Interpretation Committee (IFRIC) Interpretations		
IFRIC 14	IAS 19 – Prepayments of a minimum funding requirement	1 January 2011

* - not yet adopted by the EU

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the recognition or measurement of the company's financial statements in the period of initial application. The following standards and interpretations are not expected to have a material impact on the financial statements:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch, subject to endorsement by the EU.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

Notes to the financial statements for the year ended 30 September 2011

1 Accounting policies (continued)

Intangible assets

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 five 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.

Property, plant and equipment

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.

For all assets depreciation is calculated so as 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.

The principal annual depreciation rates used are as follows:

		%
Plant and machinery	-	10
Fixtures and fittings	-	10
Computer equipment	-	20

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.

Financial assets

The company classifies all its financial assets as 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 12 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.

Notes to the financial statements for the year ended 30 September 2011**1 Accounting policies (continued)****Impairment of financial assets**

The company 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.

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 is reduced and the amount of the loss is recognised in the Income Statement.

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 consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

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.

Notes to the financial statements for the year ended 30 September 2011**1 Accounting policies (continued)****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 country where the company operates and generates 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 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

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.

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 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in UK pound sterling, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rate ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date.

Notes to the financial statements for the year ended 30 September 2011**1 Accounting policies (continued)****Foreign currency translation (continued)**

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 or losses are presented in the income statement within administrative expenses.

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.

Pension obligations

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

Share-based payments

The company issues cash-settled share-based payments to certain employees of the company for their services to the company. The company accounts for these share based payments 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. 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 company's estimate of the number of awards which will lapse due to employees leaving the company 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 company's principal activities carried out in the United Kingdom.

3 Financial risk management**Financial risk factors**

Given the nature of its operations, the company has minimal exposure to foreign exchange risk. Regarding credit risk, it is standard company policy to perform appropriate credit checks on all potential customers before contracts are entered into.

The company's operations expose it to liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the foregoing risks.

Liquidity risk

The company projects cash flow requirements as part of its annual budget setting process. Cash requirements are monitored dynamically by the company's ultimate parent undertaking, with resources deployed to the company as required. As a result of its activities, the company is a net consumer of cash and combines intergroup funding with external sources to ensure that sufficient liquidity is maintained to allow continued operation.

4 Capital risk management

The company's ultimate parent undertaking's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. For further details, refer to the report and financial statements for the ultimate parent undertaking, Almac Group Limited

Notes to the financial statements for the year ended 30 September 2011

5 Finance costs - net

	2011	2010
	£	£
Finance costs - Interest payable to group undertakings	(1,369)	-
Finance income - Interest receivable on bank deposits	325	-
Finance costs - net	(1,044)	-

6 Expenses by nature

	2011	2010
	£	£
Employee benefits expense (note 7)	1,701,611	1,555,113
Depreciation and amortisation	274,855	262,408
Revenue grants	(1,939,327)	(1,271,907)
Transfer from capital grant reserve	(131,478)	(112,339)
Other expenses	3,388,180	2,694,328
Total research and development expenditure	3,293,841	3,127,603

Services provided by the auditors and network firms

During the year the company obtained the following services from the auditor at costs as detailed below:

	2011	2010
	£	£
Fees payable to the company's auditor for the audit	3,750	3,750
Fees payable to the company's auditor for other services:		
- other services pursuant to legislation	5,112	4,744
- tax services	1,500	1,500

7 Employees and directors

	2011	2010
	£	£
Staff costs during the year:		
Wages and salaries	1,478,577	1,329,162
Social security costs	135,695	116,398
Pension costs - defined contribution plans	64,121	55,058
Share based payment costs	23,218	54,495
	1,701,611	1,555,113

	2011	2010
	Number	Number
Average monthly number of persons employed (including directors) during the year by activity:		
Research	33	27

There were no key members of management during the year or the previous year other than the directors. No directors (2010: nil) have retirement benefits accruing under a defined contribution plan nor were remunerated during the year (2010: nil).

Notes to the financial statements for the year ended 30 September 2011

8 Income tax credit

	2011	2010
	£	£
Current tax		
Group relief receivable	1,073,977	-
Total current tax	1,073,977	-
Deferred tax		
Origination and reversal of temporary differences	41,637	26,723
Changes in tax laws and rates	18,273	10,129
Adjustment in respect of previous periods	70	-
Total deferred tax	59,890	36,852
Income tax credit	1,133,957	36,852

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's losses in this accounting period are taxed at an effective rate of 27% and will be taxed at 26% in the future.

The tax on the company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the company as follows:

	2011	2010
	£	£
Loss before income tax	(3,172,448)	(2,127,603)
Loss before income tax at the UK standard rate of 27% (2010: 28%)	(856,561)	(595,728)
Effects of:		
Enhanced research and development expenditure	(187,464)	(272,490)
Adjustments in respect of previous periods	(70)	-
Income not subject to tax	(73,013)	(55,287)
Expenses not deductible for tax purposes	33,597	34,856
Capital grants not taxable	(35,499)	(31,455)
Changes in tax laws and rates	(14,947)	(9,139)
Group relief not paid	-	892,391
Income tax credit	(1,133,957)	(36,852)

Factors affecting future tax charges:

In addition to the changes in rates of Corporation tax disclosed within the note on taxation a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £14,940 (being £7,470 recognised in 2013 and £7,470 recognised in 2014).

Notes to the financial statements for the year ended 30 September 2011

9 Intangible assets

Computer
software
£

Cost	
At 1 October 2009	3,193
Additions	8,777
At 1 October 2010 and at 30 September 2011	11,970
Accumulated amortisation	
At 1 October 2009	723
Charge for the year	1,041
At 1 October 2010	1,764
Charge for the year	2,395
At 30 September 2011	4,159
Net book amount	
At 30 September 2011	7,811
At 30 September 2010	10,206

Amortisation is included within research and development expenditure in the income statement.

Notes to the financial statements for the year ended 30 September 2011

10 Property, plant and equipment

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 October 2009	1,269,903	1,042,192	45,061	2,357,156
Additions	2,522	260,118	5,098	267,738
At 1 October 2010	1,272,425	1,302,310	50,159	2,624,894
Additions	-	94,293	9,329	103,622
At 30 September 2011	1,272,425	1,396,603	59,488	2,728,516
Accumulated depreciation				
At 1 October 2009	91,951	60,212	3,914	156,077
Charge for the year	127,116	124,660	9,591	261,367
At 1 October 2010	219,067	184,872	13,505	417,444
Charge for the year	127,244	134,741	10,475	272,460
At 30 September 2011	346,311	319,613	23,980	689,904
Net book amount				
At 30 September 2011	926,114	1,076,990	35,508	2,038,612
At 30 September 2010	1,053,358	1,117,438	36,654	2,207,450

Depreciation is included within research and development expenditure in the income statement.

11 Trade and other receivables

	2011 £	2010 £
Amounts owed by group undertakings	13,750	1,089,485
Amounts owed by other related parties	32,400	172
Group relief receivable	1,073,977	-
Other receivables	37,413	12,205
Prepayments and accrued income	99,882	23,253
	1,257,422	1,125,115

The fair values of trade and other receivables are not materially different from the carrying values.

For the purposes of IFRS 7 "Financial instruments: Disclosures" all of the company's financial assets are classified as loans and receivables. The company has no assets that may be classified as held at fair value through profit and loss, derivatives used for hedging or available-for-sale.

The carrying amount of the company's trade and other receivables are denominated fully in UK pound sterling.

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

None of these trade and other receivables have had their terms renegotiated.

No classes within trade and other receivables contain impaired assets.

Notes to the financial statements for the year ended 30 September 2011

12 Cash and cash equivalents

	2011	2010
	£	£
Cash at bank and in hand	-	8,181

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

	2011	2010
	£	£
Cash and cash equivalents	-	8,181
Bank overdrafts (note 15)	(117,648)	-
	(117,648)	8,181

13 Trade and other payables

	2011	2010
	£	£
Trade payables	234,038	198,399
Amounts owed to group undertakings	737,843	296,883
Amounts owed to other related parties	381	619
Other tax and social security	42,413	38,186
Other creditors	10,940	9,653
Accruals	292,672	291,060
	1,318,287	834,800

The fair value of trade and other payables are not materially different from their carrying values 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 company has no liabilities that may be classified as held at fair value through profit or loss or derivatives used for hedging.

There is no difference between the amounts shown above and the total contractual undiscounted cash flows of trade and other payables.

14 Other non-current liabilities

	2011	2010
	£	£
Accruals	231,070	217,496

Maturity of other non-current liabilities

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

	2011	2010
	£	£
In more than one year but not more than two years	72,438	54,752
In more than two years but not more than five years	158,632	162,744
	231,070	217,496

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

Notes to the financial statements for the year ended 30 September 2011

15 Borrowings

	2011	2010
	£	£
Current		
Bank overdrafts - secured	117,648	-
Total current	117,648	-
Non-current		
Other loans	8,370,000	6,875,000
Total non-current	8,370,000	6,875,000

The above loan is due to Almac Group Limited, and is unsecured, interest free and has no set date of repayment.

The fair value of 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 company has no liabilities that may be classified as held at fair value through profit or loss or derivatives used for hedging.

The carrying amounts of the company's borrowings are denominated in UK pound sterling.

Maturity of financial liabilities

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

	2011	2010
	£	£
In more than two years but not more than five years	8,370,000	6,875,000

There is no difference between the amounts shown above and the total contractual undiscounted cash flows of borrowings.

16 Deferred income tax liabilities

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

Deferred tax liabilities	£
At 1 October 2009	283,596
Credited to the income statement	(36,852)
At 1 October 2010	246,744
Credited to the income statement	(59,980)
At 30 September 2011	186,764

Notes to the financial statements for the year ended 30 September 2011

16 Deferred income tax liabilities (continued)

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:

Deferred tax assets/(liabilities)	Other temporary differences £	Accelerated capital allowances £	Total £
At 1 October 2009	43,719	(327,315)	(283,596)
Credited to income statement	23,533	13,319	36,852
At 1 October 2010	67,252	(313,996)	(246,744)
Credited to income statement	7,053	52,927	59,980
At 30 September 2011	74,305	(261,069)	(186,764)

The analysis of deferred income tax liabilities is as follows:

	2011 £	2010 £
Deferred income assets:		
- Deferred tax assets to be recovered after more than 12 months	74,305	67,252
Deferred income tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(261,069)	(313,996)
Deferred income tax liabilities - net	(186,764)	(246,744)

17 Deferred income

Government grants	£
At 1 October 2009	1,075,121
Capital grants received during the year	134,961
Released to the income statement	(112,339)
At 1 October 2010	1,097,743
Capital grants received during the year	73,133
Released to the income statement	(131,478)
At 30 September 2011	1,039,398

18 Share capital

	2011 £	2010 £
Authorised		
100,000,000 ordinary shares of £1 each	100,000,000	100,000,000
Allotted and fully paid		
2 ordinary shares of £1 each	2	2

Notes to the financial statements for the year ended 30 September 2011

19 Cash used in operations

	2011 £	2010 £
Loss before income tax	(3,172,448)	(2,127,603)
Adjustments for:		
Depreciation of property, plant and equipment	272,460	261,367
Amortisation of intangible assets	2,395	1,041
Finance income	(325)	-
Finance costs	1,369	-
Release of capital grant	(131,478)	(112,339)
Movement in trade and other receivables	941,670	(874,689)
Movement in trade and other payables	497,061	41,650
Net cash used in operations	(1,589,296)	(2,810,573)

20 Pension commitments

The company participates in a group defined contribution scheme for employees whereby the assets of the scheme are held separately from those of the group in an independently administered scheme. Contributions are charged to the income statement in the year to which they relate.

Pension costs for the defined contribution scheme are as follows:

	2011 £	2010 £
Defined contribution scheme	64,121	55,058

Amounts owed to the pension scheme as at 30 September 2011 totalled £10,686 (2010: £9,490).

21 Capital and other financial commitments

	2011 £	2010 £
Contracts placed for future property, plant and equipment expenditure not provided in the financial statements	74,000	39,000

22 Share based payments

The company 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 of share award is made, which is the first of January following the financial year end. The company 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. 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 company's estimate of the number of awards which will lapse due to employees leaving the company 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 professional qualified valuers at the end of financial year when the share is exercisable and all share awards are cash settled.

Notes to the financial statements for the year ended 30 September 2011

22 Share based payments (continued)

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

Grant date	September 2011	September 2010
Share price at grant date	£0.604	£0.545
Exercise price at grant date	-	-
Number of employees	2	2
Share awards	71,420	77,294
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	£0.604	£0.545

The weighted average fair value of share awards granted during the year determined using the Black-Scholes valuation model was £0.604 (2010: £0.545). 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:

	2011	2010
	Number	Number
Outstanding at 1 October	207,077	153,477
Granted	71,420	77,294
Exercised	(43,796)	(23,694)
Outstanding at 30 September	234,701	207,077
Exercisable on 1 January 2012/2011	85,987	43,796

The weighted average share price of share awards exercised in the year was £0.604 (2010: £0.545).

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

	2011	2010
	Number	Number
2011	-	43,796
2012	85,987	85,987
2013	77,294	77,294
2014	71,420	-

The total expense recognised in the income statement was £23,218 (2010: £54,495). The year end liability is £141,759 (2010: £112,857).

Notes to the financial statements for the year ended 30 September 2011

23 Ultimate controlling party and related party transactions

The ultimate parent undertaking of the company and 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 is Almac Group Limited, a company incorporated in Northern Ireland. The registered office of Almac Group Limited is Almac House, 20 Seagoe Industrial Estate, Craigavon, BT63 5QD. Copies of the group financial statements are available from Companies Registry.

At the balance sheet date, the ultimate controlling party was Dr. Sir Allen McClay. Dr. Sir Allen passed away on 12 January 2010. The grant of probate has been issued and pending the administration of the Estate of Dr. Sir Allen, his shareholding is controlled by the executors of his will.

Related parties consist of other Almac Group companies in the United States of America and the United Kingdom.

Transactions entered into during the year with related parties were as follows:

	2011	2010
	£	£
Sales to group undertakings	-	1,000,000
Purchases from group undertakings	429,638	536,678
Management charge	182,411	220,258

Details of amounts owed by and to related parties and other related parties are disclosed in notes 11, 13 and 15 respectively.

Details of interest payable on balances held with related parties are disclosed in note 5.