Registered number NI 46249

Almac Discovery Limited
Annual report and financial statements
for the year ended 30 September 2010

Almac Discovery Limited

Annual report and financial statements for the year ended 30 September 2010

Contents

Directors and advisers

Directors

Dr Sir Allen McClay OBE CBE – Chairman (deceased 12 January 2010)
A D Armstrong
J W Irvine
C Hayburn
S Barr
S Campbell

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
45 48 High Street
Portadown
BT62 1LB

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 2010

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2010

Principal activities

Almac Discovery Limited is a private limited company incorporated 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 of £2 090 751 (2009 £2 774 566) 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 for the financial year is £2 090 751 (2009 £2 774 566) The directors do not recommend payment of a dividend (2009 £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 £3 127 603 (2009 £2 491 185) and was expensed as incurred No development expenditure was incurred in the year (2009 £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 (2009 £1 000) No donations for political purposes were made during the year (2009 £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 2010

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 within 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 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
21 January 2011

Statement of directors' responsibilities

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

Companv 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 consistentlv

- 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 Thev 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
21 January 2011

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 2010 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 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

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 2010 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

Stephen Curragh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
21 January 2011

Income statement for the year ended 30 September 2010

	Note	2010 £	2009 £
Continuing operations			
Revenue	2	**1 000 000**	
Research and development expenditure	6	**(3 127 603)**	(2 491 185)
Operating loss		**(2 127 603)**	(2 491 185)
Finance income	5		215
Loss before income tax		**(2 127 603)**	(2 490 970)
Income tax credit/(expense)	8	**36 852**	(283 596)
Loss for the year attributable to owners of the company		**(2 090 751)**	(2 774 566)

The notes on pages 10 to 24 are an integral part of these financial statements

There is no other comprehensive income for the year (2009 £nil)

Statement of changes in equity for the year ended 30 September 2010

	Share capital £	Retained earnings £	Total equity £
At 1 October 2008	2	(1 055 516)	(1 055 514)
Loss for the year and total comprehensive expense		(2 774 566)	(2 774 566)
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 30 September 2010	**2**	**(5 920 833)**	**(5 920 831)**

The notes on pages 10 to 24 are an integral part of these financial statements

Balance sheet as at 30 September 2010

	Note	2010 £	2009 £
Assets			
Non current assets			
Intangible assets	9	**10 206**	2 470
Property plant and equipment	10	**2 207 450**	2 201 079
Total non current assets		**2 217,656**	2 203 549
Current assets			
Trade and other receivables	11	**1 125 115**	250 426
Cash and cash equivalents	12	**8 181**	185 308
Total current assets		**1 133 296**	435 734
Total assets		**3 350 952**	2 639 283
Liabilities			
Current liabilities			
Trade and other payables	13	**834 800**	873 626
Total current liabilities		**834 800**	873 626
Non current liabilities			
Borrowings	15	**6 875 000**	4 100 000
Other non current liabilities	14	**217 496**	137 020
Deferred income tax liabilities	16	**246 744**	283 596
Deferred income	17	**1 097 743**	1 075 121
Total non current liabilities		**8 436 983**	5 595 737
Total liabilities		**9 271 783**	6 469 363
Equity			
Capital and reserves attributable to owners of the company			
Share capital	18	**2**	2
Retained earnings		**(5 920 833)**	(3 830 082)
Total equity		**(5 920 831)**	(3 830 080)
Total equity and liabilities		**3 350 952**	2 639 283

The notes on pages 10 to 24 are an integral part of these financial statements

The financial statements on pages 6 to 24 were authorised for issue by the board of directors on 21 January 2011 and were signed on its behalf by

S Campbell (director)

A D Armstrong (director)

Cash flow statement for the year ended 30 September 2010

	Note	2010 £	2009 £
Cash flows from operatıng actıvıtıes			
Cash used ın operatıons	19	**(2 810 573)**	(2 006 597)
Net cash used ın operatıng actıvıtıes		**(2 810 573)**	(2 006 597)
Cash flows from ınvestıng actıvıtıes			
Purchase of ıntangıble assets		**(8 777)**	
Purchase of propertv plant and equıpment		**(267,738)**	(2 163 443)
Capıtal grants receıved		**134 961**	1 104 680
Interest receıved			215
Net cash used ın ınvestıng actıvıtıes		**(141 554)**	(1 058 548)
Cash flows from financıng actıvıtıes			
Advances from group undertakıngs		**2 775 000**	3 100 000
Net cash generated from financıng actıvıtıes		**2 775 000**	3 100 000
Net (decrease)/ıncrease ın cash and cash equıvalents		**(177 127)**	34 855
Cash and cash equıvalents at begınnıng of the vear		**185 308**	150 453
Cash and cash equıvalents at end of the vear	12	**8 181**	185 308

The notes on pages 10 to 24 are an ıntegral part of these financıal statements

Notes to the financial statements for the year ended 30 September 2010

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 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union IFRIC interpretations 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 judgment in the process of applying the company s accounting policies Management has concluded that there are no critical assumptions or estimates 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 2010

During the year the following standards amendments and interpretations became effective

		Effective date
International Accounting Standards (IASs/IFRSs)		
IFRS 1 (revised)	First time adoption of IFRS	1 January 2009
IFRS 1 (amendment)	First time adoption of IFRS	1 January 2009
IFRS 2 (amendment)	Share based payments	1 January 2009
IFRS 3 (revised)	Business combinations	1 July 2009
IFRS 7 (amendment)	Financial instruments Disclosures	1 January 2009
IFRS 8	Operating segments	1 January 2009
IFRS 9	Financial instruments	1 January 2009
IAS 1 (revised)	Presentation of financial statements	1 January 2009
IAS 23 (revised)	Borrowing costs	1 January 2009
IAS 27 (revised)	Consolidated and separate financial statements	1 July 2009
IAS 32 (amendment)	Financial instruments Presentation	1 January 2009
International Financial Reporting Interpretation Committee (IFRIC) Interpretations		
IFRIC 15	Agreements for construction of real estate	1 January 2009
IFRIC 17	Distribution of non cash assets to owners	1 July 2009

The following standards are mandatory and applicable for the first time for the year beginning 1 October 2009 the remaining standards are not currently relevant to the company

IFRS 3(revised) Business combinations – effective 1 July 2009 The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3 For example all payments to purchase a business are recorded at fair value at acquisition date with contingent payments classified as debt subsequently re measured through the statement of comprehensive income There is a choice on an acquisition by acquisition basis to measure the non controlling interest in the acquiree either at fair value or at the non controlling interest s proportionate share of the acquiree s net assets All acquisition related costs are expensed The company is aware of the changes to the standard and will apply these prospectively

Notes to the financial statements for the year ended 30 September 2010

1 Accounting policies (continued)

New standards amendments and interpretations effective in the year to 30 September 2010 (continued)

IFRS 7 (amendment) Financial instruments Disclosures – effective 1 January 2009 The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy The company has applied this previously and no changes have been considered necessary to the presentation or disclosure of financial instruments

IAS 1 (revised) Presentation of financial statements effective 1 January 2009 The revised standard prohibits the presentation of items of income and expenses (that is non owner changes in equity) in the statement of changes in equity requiring non owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income As a result the company will present in the statement of changes in equity all owner changes in equity whereas all non owner changes in equity will be presented in the statement of comprehensive income As the changes in accounting policy will only impact presentation aspects there will be no impact on the company s results

IAS 23 (revised) Borrowing costs – effective 1 January 2009 This revised standard results from a joint short term convergence project with the FASB It requires an entity to capitalise borrowing costs directly attributable to the acquisition construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset The option of immediately expensing those borrowing costs has been removed This treatment is consistent with prior policy and has no impact on company s accounting policies

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)

International Accounting Standards (IASs/IFRSs)		Effective date
IFRS 1 (amendment)	First time adoption of IFRS	1 January 2010
IFRS 1 (amendment)	First time adoption of IFRS additional exemptions	1 July 2010
IFRS 2 (amendment)	Share based payments Group cash settled share-based payment transactions	1 January 2010
IFRS 7 (amendment)	Financial instruments – Disclosures on derecognition	1 January 2011
IAS 1 (amendment)	Presentation of financial statements	1 January 2010
IAS 24 (revised)	Borrowing costs	1 January 2011
IAS 32 (amendment)	Financial instruments Presentation	1 February 2010

International Financial Reporting Interpretation Committee (IFRIC) Interpretations

IFRIC 14	IAS 19 – Prepayments of a minimum funding requirement	1 January 2011
IFRIC 18	Transfer of assets from customers	31 October 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 January 2010

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. However the following standards and interpretations impact on the presentation of the financial statements

IAS 1 (amendment) Presentation of financial statements effective 1 January 2010 The amendment is part of the IASB s annual improvements project published in April 2009 The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current By amending the definition of current liability the amendment permits a liability to be classified as non current (provided the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time The company will apply IAS 1 (amendment) from 1 October 2010 It is not expected to have a material impact on the company s financial statements

Notes to the financial statements for the year ended 30 September 2010

1 Accounting policies (continued)

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

IFRS 2 (amendment) Share based payments Group cash settled share-based payment transactions effective from 1 January 2010 In addition to incorporating IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 – Group and treasury share transactions the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation The company will apply IFRS 2 (amendment) from 1 January 2010 It is not expected to have a material impact on the company s financial statements

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 and an appropriate portion of directly attributable overheads 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 produce 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

Notes to the financial statements for the year ended 30 September 2010

1 Accounting policies (continued)

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

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

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

Notes to the financial statements for the year ended 30 September 2010

1 Accounting policies (continued)

Current and deferred income tax (continued)

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

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 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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement financial income or cost All other foreign exchange gains or losses are presented in the income statement with administrative expenses

Notes to the financial statements for the year ended 30 September 2010

1 Accounting policies (continued)

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 2010

5 Finance income

	2010	2009
	£	£
Interest income		
Interest receivable on bank deposits		215
Finance income		215

6 Expenses by nature

	2010	2009
	£	£
Employee benefits expense (note 7)	**1 555 113**	1 099 270
Depreciation and amortisation	**262 408**	152 993
Revenue grants	**(1 271 907)**	(1 174 057)
Transfer from capital grant reserve	**(112 339)**	(29 559)
Other expenses	**2 694 328**	2 442 538
Total research and development expenditure	**3 127 603**	2 491 185

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

	2010	2009
	£	£
Fees payable to the companv s auditor for the audit	**3 750**	4 405
Fees payable to the company s auditor and its associates for other services		
other services pursuant to legislation	**4 744**	
tax services	**1 500**	

7 Employees and directors

	2010	2009
	£	£
Staff costs during the year		
Wages and salaries	**1 329 162**	931 440
Social security costs	**116.398**	81 962
Pension costs defined contribution plans	**55 058**	39 693
Share based pavment costs	**54 495**	46 175
	1 555 113	1 099 270

	2010	2009
	Number	Number
Average monthly number of persons employed (excluding directors) during the year by activity		
Research	**27**	15

There were no kev members of management during the vear or the previous year other than the directors No directors (2009

Notes to the financial statements for the year ended 30 September 2010

8 Income tax credit/(expense)

	2010	2009
	£	£
Current tax		
Deferred tax		
Origination and reversal of temporary differences	**26 723**	(252 990)
Changes in tax laws and rates	**10 129**	
Adjustment in respect of previous periods		(30 606)
Total deferred tax	**36 852**	(283 596)
Income tax credit/(expense)	**36 852**	(283 596)

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

	2010	2009
	£	£
Loss before income tax	**(2 127 603)**	(2 490 970)
Loss before income tax at the UK standard rate of 28% (2009 28%)	**(595 728)**	(697 471)
Effects of		
Enhanced research and development expenditure	**(272 490)**	(150 181)
Adjustments in respect of previous periods		30 606
Income not subject to tax	**(55 287)**	(20 481)
Expenses not deductible for tax purposes	**34 856**	20 867
Capital grants not taxable	**(31 455)**	(8 277)
Changes in tax laws and rates	**(9 139)**	
Group relief not paid	**892 391**	1 108 533
Income tax (credit)/expense	**(36 852)**	283 596

Factors affecting future tax charges

During the year as a result of the change in the UK main corporation tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011 the relevant deferred tax balances have been re measured

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget The changes which are expected to be enacted separately each year propose to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements

Notes to the financial statements for the year ended 30 September 2010

9 Intangible assets

	Computer software £
Cost	
At 1 October 2008 and at 1 October 2009	3 193
Additions	8 777
At 30 September 2010	**11 970**
Accumulated amortisation	
At 1 October 2008	85
Charge for the year	638
At 1 October 2009	723
Charge for the year	1 041
At 30 September 2010	**1 764**
Net book amount	
At 30 September 2010	**10 206**
At 30 September 2009	2 470

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

10 Property, plant and equipment

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 October 2008	189 879		3 834	193 713
Reclassification	(173 828)	173 828		
Additions	1 253 852	868 364	41 227	2 163 443
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 30 September 2010	**1 272 425**	**1 302 310**	**50 159**	**2 624 894**
Accumulated depreciation				
At 1 October 2008	3 445		277	3 722
Reclassification	(3 277)	3 277		
Charge for the year	91 783	56 935	3 637	152 355
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 30 September 2010	**219 067**	**184 872**	**13 505**	**417 444**
Net book amount				
At 30 September 2010	**1 053 358**	**1 117 438**	**36 654**	**2 207 450**
At 30 September 2009	1 177 952	981 980	41 147	2 201 079

Depreciation is included within research and development expenditure in th n om temen

Notes to the financial statements for the year ended 30 September 2010

11 Trade and other receivables

	2010	2009
	£	£
Amounts owed by group undertakings	**1 089 485**	856
Amounts owed by other related parties	**172**	74
Other receivables	**12 205**	62 196
Prepayments and accrued income	**23 253**	187 300
	1 125 115	250 426

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

For the purposes of IFRS 7 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 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 debtors that are neither past due nor impaired have had their terms renegotiated

No classes within trade and other receivables contain impaired assets

12 Cash and cash equivalents

	2010	2009
	£	£
Cash at bank and in hand	**8 181**	185 308

13 Trade and other payables

	2010	2009
	£	£
Trade payables	**198 399**	461 672
Amounts owed to group undertakings	**296 883**	31 629
Amounts owed to other related parties	**619**	
Other tax and social security	**38 186**	31 144
Other creditors	**9 653**	6 647
Accruals	**291 060**	342 534
	834 800	873 626

The fair value of trade and other payables are not materially different from their carrying value as the impact of discounting is not significant

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

Notes to the financial statements for the year ended 30 September 2010

14 Other non current liabilities

	2010	2009
	£	£
Accruals	**217 496**	137 020

Maturity of other non current liabilities

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

	2010	2009
	£	£
In more than one year but not more than two years	**54 752**	23 268
In more than two years but not more than five years	**162 744**	113 752
	217 496	137 020

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

15 Borrowings

	2010	2009
Non current	£	£
Other loans	**6 875 000**	4 100 000

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 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 sterling

Maturity of financial liabilities

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

	2010	2009
	£	£
In more than two years but not more than five years	**6 875 000**	4 100 000

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

Notes to the financial statements for the year ended 30 September 2010

16 Deferred income tax liabilities

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

Deferred tax liabilities	£
At 1 October 2008	
Charged to the income statement	(283 596)
At 1 October 2009	(283 596)
Credited to the income statement	36 852
At 30 September 2010	**(246 744)**

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 2008	11 162	(11 162)	
Credited/(charged) to income statement	32 557	(316 153)	(283 596)
At 1 October 2009	43 719	(327 315)	(283 596)
Credited to income statement	23 533	13 319	36 852
At 30 September 2010	**67 252**	**(313 996)**	**(246 744)**

The analysis of deferred income tax liabilities is as follows

	2010 £	2009 £
Deferred income assets		
Deferred tax assets to be recovered after more than 12 months	**67 252**	43 719
Deferred income tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**(313 996)**	(327 315)
Deferred income tax liabilities net	**(246 744)**	(283 596)

17 Deferred income

Government grants	£
At 1 October 2008	
Capital grants received during the year	1 104 680
Release to income statement	(29 559)
At 1 October 2009	1 075 121
Capital grants received during the year	134 961
Released to income statement	(112 339)
At 30 September 2010	**1 097 743**

Notes to the financial statements for the year ended 30 September 2010

18 Called up share capital

Authorised	2010 £	2009 £
100 000 000 ordinary shares of £1 each		
At 1 October and 30 September	**100 000 000**	100 000 000

Allotted and fully paid	2010 £	2009 £
Ordinary shares of £1 each		
At 1 October and 30 September	**2**	2

19 Cash used in operations

	2010 £	2009 £
Loss before income tax	**(2 127 603)**	(2 490 970)
Adjustment for		
Depreciation of property plant and equipment	**261 367**	152 355
Amortisation of intangible assets	**1 041**	638
Interest receivable		(215)
Release of capital grant	**(112 339)**	(29 559)
Movement in trade and other receivables	**(874 689)**	(142 935)
Movement in trade and other payables	**41 650**	504 089
Net cash used in operations	**(2 810 573)**	(2 006 597)

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

	2010 £	2009 £
Defined contribution scheme	**55 058**	39 693

21 Capital and other financial commitments

	2010 £	2009 £
Contracts placed for future property plant and equipment expenditure not provided in the financial statements	**39,000**	210 000

Notes to the financial statements for the year ended 30 September 2010

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 vears following the award date The share award is exercisable at the share price as determined by professional qualified valuers at the end of financial vear when 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	**September 2010**	September 2009
Share price at grant date	**£0 545**	£0 471
Exercise price at grant date		
Number of employees	**2**	2
Share awards	**77 294**	85 987
Vesting period (years)	**4**	4
Option life (years)	**4**	4
Expected life (vears)	**4**	4
Dividend yield	**Nil**	Nil
Risk free interest rate	**5 0 /o**	4 5%
Fair value	**£0 545**	£0 471

The weighted average fair value of share awards granted during the vear determined using the Black Scholes valuation model was £0 545 (2009 £0 471) 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

	2010	2009
	Number	Number
Outstanding at 1 October	**153 477**	67 490
Granted	**77 294**	85 987
Forfeited		
Exercised	**(23 694)**	
Outstanding at 30 September	**207 077**	153 477
Exercisable at 1 January 2011/2010	**43 796**	23 694

The weighted average share price of share awards exercised in the vear was £0 545 (2009 £0 471)

Notes to the financial statements for the year ended 30 September 2010

22 Share based payments (continued)

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

	2010 Number	2009 Number
2010		23 694
2011	**43 796**	43 796
2012	**85 987**	85 987
2013	**77 294**	

The total expense recognised in the income statement was £54 495 (2009 £46 175)

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 the registered office

At the balance sheet date the ultimate controlling party was Dr Sir Allen McClay Sir Allen passed away on 12 January 2010 Pending a grant of probate being issued and the administration of Sir Allens Estate his shareholding is controlled by the executors of his will

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

	2010 £	2009 £
Sales to related parties	**1 000 000**	
Purchases from related parties	**536 678**	201 001
Management charge	**220 258**	149 634

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