

**Almac Discovery Limited**  
**Annual report and financial statements**  
**for the year ended 30 September 2016**

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# **Almac Discovery Limited**

## **Annual report and financial statements for the year ended 30 September 2016**

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## Directors and advisers

### Directors

A D Armstrong  
S A Barr  
C Hayburn  
J W Irvine (resigned on 22 August 2016)  
S Campbell  
K Stephens

### Company secretary

A Rafferty (resigned 6 June 2016)  
C Hayburn (appointed 6 June 2016)

### Registered office

Almac House  
20 Seagoe Industrial Estate  
Craigavon  
BT63 5QD

### Solicitors

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

### Bankers

Danske Bank  
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 2016**

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2016.

**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 £2,720,203 (2015: profit of £4,237,953), which is in line with expectations. The company incurred a profit from sales in the prior year relating to a one off licensing fee and ongoing support for a number of staff working on the license. This has not been repeated in the current year.

**Financial risk management**

Given the nature of its operations, the company has exposure to foreign exchange risk relating to the new contract discussed above. 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 £2,720,203 (2015: profit of £4,237,953). The directors do not recommend payment of a dividend (2015: £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 totalled £3,948,887 (2015: £3,237,529) and was expensed as incurred. This is stated before the deduction of £6,598 (2015: £388,292) of research and development tax credits. No development expenditure was incurred in the year (2015: £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 Almac Group Limited, the Company's ultimate parent, to support the company's operations and planned growth over this period. The directors have received confirmation that Almac Group Limited intend to support the company for at least one year after these financial statements are signed. Consequently, the directors have prepared these financial statements on a going concern basis.

**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 2016****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.

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



K Stephens

**Director**

15 December 2016

## 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the 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.

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



K Stephens

**Director**

15 December 2016

**Independent auditors' report to the members of Almac Discovery Limited****Report on the financial statements****Our opinion**

In our opinion, Almac Discovery Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual report"), comprise:

- the Balance sheet as at 30 September 2016;
- the Income statement for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**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.

**Other matters on which we are required to report by exception****Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Independent auditors' report to the members of Almac Discovery Limited  
(continued)****Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report and take advantage of the small companies exemption from preparing a Strategic report. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit****Our responsibilities and those of the directors**

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) ("ISAs (UK & 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 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

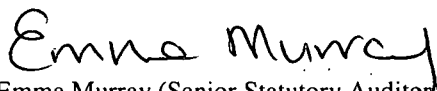
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Emma Murray (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast  
15 December 2016

## Income statement for the year ended 30 September 2016

	Note	2016 £	2015 £
<b>Continuing operations</b>			
Revenue	2	1,881,063	9,673,839
Cost of sales	6	(539,256)	(616,334)
<b>Gross profit</b>		<b>1,341,807</b>	<b>9,057,505</b>
Administrative expenses	6	(399,827)	(297,780)
Research and development expenditure	6	(3,948,887)	(3,237,529)
<b>Operating (loss)/profit</b>		<b>(3,006,907)</b>	<b>5,522,196</b>
Operating (loss)/profit is analysed as:			
Operating (loss)/profit before depreciation, amortisation and R&D ("EBITDA")		1,341,808	9,057,505
Depreciation of property, plant and equipment		(399,192)	(296,380)
Amortisation and impairment of intangible assets		(634)	(1,400)
Research and development expenditure ("R&D")		(3,948,887)	(3,237,529)
Finance costs	5	(365,743)	(257,825)
Finance income	5	1,986	726
Finance costs – net	5	(363,757)	(257,099)
<b>(Loss)/profit before income tax</b>		<b>(3,370,664)</b>	<b>5,265,097</b>
Income tax credit/(charge)	8	650,461	(1,027,144)
<b>(Loss)/profit for the year attributable to owners of the company</b>		<b>(2,720,203)</b>	<b>4,237,953</b>

The notes on pages 11 to 27 are an integral part of these financial statements.

There is no other comprehensive income for the year (2015: £nil).

## Statement of changes in equity for the year ended 30 September 2016

	Share capital £	Retained earnings £	Total equity £
At 1 October 2014	2	(15,958,710)	(15,958,708)
Profit for the financial year and total comprehensive expense	-	4,237,953	4,237,953
At 1 October 2015	2	(11,720,757)	(11,720,755)
Loss for the financial year and total comprehensive expense	-	(2,720,203)	(2,720,203)
<b>At 30 September 2016</b>	<b>2</b>	<b>(14,440,960)</b>	<b>(14,440,958)</b>

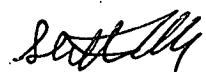
The notes on pages 11 to 27 are an integral part of these financial statements.

## Balance sheet as at 30 September 2016

	Note	2016 £	2015 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	7,686	154
Property, plant and equipment	10	2,515,597	1,189,855
<b>Total non-current assets</b>		<b>2,523,283</b>	<b>1,190,009</b>
<b>Current assets</b>			
Current income tax recoverable		228,450	-
Trade and other receivables	11	1,887,764	698,697
Cash and cash equivalents		30	-
<b>Total current assets</b>		<b>2,116,244</b>	<b>698,697</b>
<b>Total assets</b>		<b>4,639,527</b>	<b>1,888,706</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	13	17,261,659	11,552,254
Trade and other payables	14	960,873	1,102,761
Current income tax liabilities		-	64,408
<b>Total current liabilities</b>		<b>18,222,532</b>	<b>12,719,423</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	15	169,364	246,601
Deferred income tax liabilities	16	49,687	101,940
Deferred income	17	638,902	541,497
<b>Total non-current liabilities</b>		<b>857,953</b>	<b>890,038</b>
<b>Total liabilities</b>		<b>19,080,485</b>	<b>13,609,461</b>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the company</b>			
Share capital	18	2	2
Accumulated losses		(14,440,960)	(11,720,757)
<b>Total equity</b>		<b>(14,440,958)</b>	<b>(11,720,755)</b>
<b>Total equity and liabilities</b>		<b>4,639,527</b>	<b>1,888,706</b>

The notes on pages 11 to 27 are an integral part of these financial statements.

The financial statements on pages 7 to 27 were authorised for issue by the Board of directors on 15 December 2016 and were signed on their behalf by:



S Campbell (Director)



A D Armstrong (Director)

# Cash flow statement for the year ended 30 September 2016

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	19	(3,417,923)	6,221,757
Finance costs		(365,743)	(257,825)
Taxation paid		(448,767)	(91,321)
Net cash (used in)/generated from operating activities		(4,232,433)	5,872,611
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,724,935)	(282,502)
Purchase of intangible assets		(8,166)	-
Finance income		1,986	726
Capital grants received		254,173	25,279
Net cash used in investing activities		(1,476,942)	(256,497)
<b>Cash flows from financing activities</b>			
Advances from/(repayment of) group undertakings		5,814,595	(5,784,106)
Net cash generated from/(used in) financing activities		5,814,595	(5,784,106)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>105,220</b>	<b>(167,992)</b>
Cash and cash equivalents and bank overdrafts at beginning of the year		(236,761)	(68,769)
<b>Cash and cash equivalent and bank overdrafts at end of the year</b>	12	<b>(131,541)</b>	<b>(236,761)</b>

The notes on pages 11 to 27 are an integral part of these financial statements.

## Notes to the financial statements for the year ended 30 September 2016

### 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), the Companies Act 2006 applicable to companies reporting under IFRS, and IFRIC interpretations. 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.

#### 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 Almac Group Limited, the Company's ultimate parent, to support the company's operations and planned growth over this period. The directors have received confirmation that Almac Group Limited intend to support the company for at least one year after these financial statements are signed. Consequently, the directors have prepared these financial statements on a going concern basis.

#### New standards, amendments and interpretations effective in the year to 30 September 2016

The accounting policies set out below are those that the company has adopted under International Financial Reporting Standards as adopted by the European Union for the year ended 30 September 2016.

No standards have been adopted by the company for the first time during the financial year beginning on or after 1 October 2015 that have had a material impact on the company.

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

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

Amendment to IAS 1 (Presentation of financial statements) on disclosure initiative (1 January 2016)

Amendment to IAS 7 (Statement of cash flows) on disclosure initiative (1 January 2017)

Amendment to IAS 16 (Property, plant and equipment) and IAS 41 (Biological assets) regarding bearer plants (1 January 2016)

Amendment to IAS 16 (Property, plant and equipment) and IAS 38 (Intangible assets) on clarification of acceptable methods of depreciation and amortisation (1 January 2016)

Amendment to IAS 27 (Separate financial statements) (1 January 2016)

Amendment to IFRS 10 (Consolidated financial statements) and IAS 28 (Investments in associates) on sale or contribution of assets (to be determined)

Amendment to IAS 12 on recognition of deferred tax assets for unrealised losses (1 January 2017)

IFRS 9 (Financial instruments) and amendment to IFRS 9 (Financial instruments) on general hedge accounting (1 January 2018)

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

Amendment to IFRS 10 (Consolidated financial statements) and IAS 28 (Investments in associates) on investment entities applying the consolidation exemption (1 January 2016)

IFRS 14 (Regulatory deferral accounts) (1 January 2016)

## Notes to the financial statements for the year ended 30 September 2016

### 1 Accounting policies (continued)

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

Amendment to IAS 15 (Revenue from customers with contracts) (1 January 2018)

IFRS 16 (Leases) (1 January 2019)

Amendment to IFRS 2 (Share-based payment) on clarifying share-based payment transactions (1 January 2018)

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

#### 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.

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

#### 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, or over the life of project, whichever is earlier.

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 2016****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.

**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.

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

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated 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. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

**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.

**Notes to the financial statements for the year ended 30 September 2016****1 Accounting policies (continued)**

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 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.

Amounts paid by, or amounts received by, the company in respect of group relief that represent the tax benefit surrendered/received are recorded as an income tax expense/credit in the statement of comprehensive income. Where the amounts paid by, or amounts received by, the company exceed the tax benefit surrendered/received, the excess is recorded directly in equity as a movement in other comprehensive income.

**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.

**Research and development tax credits**

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

**Notes to the financial statements for the year ended 30 September 2016****1 Accounting policies (continued)****Revenue recognition**

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

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

**Foreign currency translation**

Items included in the financial statements 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.

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.

## Notes to the financial statements for the year ended 30 September 2016

### 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.

#### Foreign exchange risk

While all of the company's revenues are denominated in UK pounds, the company is exposed to foreign exchange risk in transactions with group undertakings based in the US whose functional currency is US dollars. The company has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review. If the US Dollar had weakened/strengthened by 10% against UK pound sterling with all other variables held constant, the financial statements would have been impacted as follows:

	2016		2015	
	Impact on post-tax losses £'000	Impact on equity £'000	Impact on post-tax losses £'000	Impact on equity £'000
US dollar weakens by 10% against UK pound	32	32	30	30
US dollar strengthens by 10% against UK pound	(39)	(39)	(37)	(37)

#### Cash flow interest rate risk

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

	2016		2015	
	Impact on post-tax losses £'000	Impact on equity £'000	Impact on post-tax losses £'000	Impact on equity £'000
Interest rates increase by 1%	(139)	(139)	(94)	(94)
Interest rates decrease by 1%	139	139	94	94

#### 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 is a subsidiary of Almac Group Limited, their 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 Almac Group Limited.

## Notes to the financial statements for the year ended 30 September 2016

**5 Finance costs - net**

	2016	2015
	£	£
Finance costs - interest payable to group undertakings	(365,743)	(257,825)
Finance income - interest receivable on loans from group undertakings	1,986	726
<b>Finance costs - net</b>	<b>(363,757)</b>	<b>(257,099)</b>

**6 Expenses by nature**

	2016	2015
	£	£
Employee benefits expense (note 7)	1,658,905	1,403,101
Depreciation and amortisation	399,827	297,780
Operating lease payments	12,970	10,559
Revenue grants	(794,591)	(1,275,296)
Transfer from capital grant reserve	(156,768)	(147,351)
Other expenses*	3,767,927	3,862,850
<b>Total cost of sales, distribution costs, administrative expenses and research and development expenditure</b>	<b>4,888,270</b>	<b>4,151,643</b>

\*Other expenses of £3,767,927 (2015: £4,151,643) are stated after the deduction of £6,598 (2015: £388,292) of research and development tax credits.

**Services provided by the independent auditors and network firms**

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

	2016	2015
	£	£
Fees payable to the company's auditors for the audit of the financial statements	4,140	4,019
<b>Fees payable to the company's auditors for other services:</b>		
- other services pursuant to legislation	2,850	8,550
- tax services	1,545	1,545
	<b>8,535</b>	<b>14,114</b>

**7 Employees and directors**

	2016	2015
	£	£
<b>Staff costs during the year:</b>		
Wages and salaries	1,464,409	1,144,198
Social security costs	161,863	85,206
Other pension costs (note 20)	65,336	44,508
Share based payment costs (note 23)	(32,703)	129,189
	<b>1,658,905</b>	<b>1,403,101</b>

Notes to the financial statements for the year ended 30 September 2016

7 Employees and directors (continued)

	2016 Number	2015 Number
<b>Average monthly number of persons employed (including directors) during the year by activity:</b>		
Research and development	38	31

There were no key members of management during the year or the previous year other than the directors. Two directors (2015: two) have retirement benefits accruing under a defined contribution plan. Directors remuneration is borne by other group companies and is disclosed for the group in Almac Group Limited financial statements.

8 Income tax credit/(charge)

	2016 £	2015 £
<b>Current tax</b>		
Current tax credit/(charge)	569,178	(1,013,700)
Adjustments in respect of previous periods	29,030	3,933
<b>Total current tax</b>	<b>598,208</b>	<b>(1,009,767)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	37,607	(17,810)
Adjustments in respect of prior periods	5,878	-
Changes in tax laws and rates	8,768	433
<b>Total deferred tax</b>	<b>52,253</b>	<b>(17,377)</b>
<b>Income tax credit/(charge)</b>	<b>650,461</b>	<b>(1,027,144)</b>

The tax on the company's (loss)/profit before tax differs (2015: differs from) from the theoretical amount that would arise using the weighted average tax rate applicable to (losses)/profits of the company as follows:

	2016 £	2015 £
<b>(Loss)/profit before income tax</b>	<b>(3,370,664)</b>	<b>5,265,097</b>
(Loss)/profit before income tax at the UK standard rate of 20% (2015: 20.5%)	(674,133)	1,079,345
Effects of:		
Adjustments in respect of previous periods	(34,908)	(3,933)
Income not subject to tax	(31,354)	(30,205)
Transfer pricing adjustments	-	(39,804)
Expenses not deductible for tax purposes	57,894	22,174
Group relief not paid for	40,808	-
Changes in tax laws and rates	(8,768)	(433)
<b>Income tax (credit)/charge</b>	<b>(650,461)</b>	<b>1,027,144</b>

## Notes to the financial statements for the year ended 30 September 2016

## 8 Income tax credit/(charge) (continued)

## Factors affecting future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## 9 Intangible assets

	Computer software £
<b>Cost</b>	
At 1 October 2014 and 30 September 2015	12,207
Additions	8,166
<b>At 30 September 2016</b>	<b>20,373</b>
<b>Accumulated amortisation</b>	
At 1 October 2014	10,653
Charge for the year	1,400
At 30 September 2015	12,053
Charge for the year	634
<b>At 30 September 2016</b>	<b>12,687</b>
<b>Net book amount</b>	
<b>At 30 September 2016</b>	<b>7,686</b>
At 30 September 2015	154
At 30 September 2014	1,554

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

## Notes to the financial statements for the year ended 30 September 2016

## 10 Property, plant and equipment

	Plant and machinery £	Fixtures, fittings and computer equipment £	Total £
<b>Cost</b>			
At 1 October 2014	1,302,955	1,812,797	3,115,752
Additions	272,034	10,468	282,502
At 1 October 2015	1,574,989	1,823,265	3,398,254
Additions	1,185,178	539,757	1,724,935
<b>At 30 September 2016</b>	<b>2,760,167</b>	<b>2,363,022</b>	<b>5,123,189</b>
<b>Accumulated depreciation</b>			
At 1 October 2014	758,569	1,153,450	1,912,019
Charge for the year	137,066	159,314	296,380
At 30 September 2015	895,635	1,312,764	2,208,399
Charge for the year	213,708	185,485	399,193
<b>At 30 September 2016</b>	<b>1,109,343</b>	<b>1,498,249</b>	<b>2,607,592</b>
<b>Net book amount</b>			
<b>At 30 September 2016</b>	<b>1,650,824</b>	<b>864,773</b>	<b>2,515,597</b>
At 30 September 2015	679,354	510,501	1,189,855
At 30 September 2014	544,386	654,393	1,198,779

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

## 11 Trade and other receivables

	2016 £	2015 £
Trade receivables	507,693	464,404
Amounts owed by group undertakings (note 24)	63,178	91,418
Group relief receivable (note 24)	764,663	3,933
Other receivables	21,593	68,820
Prepayments and accrued income	530,637	70,122
	<b>1,887,764</b>	<b>698,697</b>

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.

## Notes to the financial statements for the year ended 30 September 2016

**11 Trade and other receivables (continued)**

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

	2016	2015
	£	£
<b>Currency</b>		
UK pound	1,386,587	234,293
US dollar	501,177	464,404
	<b>1,887,764</b>	<b>698,697</b>

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

None of these trade receivables have had their terms renegotiated.

No classes within trade and other receivables contain impaired assets.

**12 Cash and cash equivalents**

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

	2016	2015
	£	£
Cash and cash equivalents	29	-
Bank overdrafts (note 13)	(131,571)	(236,761)
	<b>(131,542)</b>	<b>(236,761)</b>

**13 Borrowings**

	2016	2015
	£	£
<b>Current</b>		
Bank overdrafts – secured	131,571	236,761
Amounts owed to group undertakings (note 24)	17,130,088	11,315,493
<b>Total current</b>	<b>17,261,659</b>	<b>11,552,254</b>

Included within amounts owed to group undertakings is a loan due to Almac Group Limited, which 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.

## Notes to the financial statements for the year ended 30 September 2016

## 13 Borrowings (continued)

The carrying amounts of the company's borrowings are denominated in the following currencies:

	2016 £	2015 £
UK Pound Sterling	17,242,885	11,435,707
Euro	38,387	12,071
US Dollar	(19,613)	104,476
<b>Total current</b>	<b>17,261,659</b>	<b>11,552,254</b>

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

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

	2016 %	2015 %
Bank overdrafts	2.64	2.74

## 14 Trade and other payables

	2016 £	2015 £
Trade payables	186,553	168,083
Amounts owed to group undertakings (note 24)	36,216	290,594
Other tax and social security	77,274	32,378
Other creditors	45,305	8,585
Accruals	615,525	603,121
	<b>960,873</b>	<b>1,102,761</b>

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

## 15 Other non-current liabilities

	2016 £	2015 £
Accruals	169,364	246,601

## Notes to the financial statements for the year ended 30 September 2016

## 15 Other non-current liabilities (continued)

## Maturity of other non-current liabilities

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

	2016 £	2015 £
In more than one year but not more than two years	51,182	102,954
In more than two years but not more than five years	118,182	143,647
	<b>169,364</b>	<b>246,601</b>

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

## 16 Deferred income tax liabilities

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

Deferred tax liabilities	£
At 1 October 2014	(84,563)
Charged to the income statement	(17,377)
At 1 October 2015	(101,940)
Credited to the income statement	52,253
<b>At 30 September 2016</b>	<b>(49,687)</b>

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 2014	54,054	(138,617)	(84,563)
Charged to the income statement	(3,834)	(13,543)	(17,377)
At 1 October 2015	50,220	(152,160)	(101,940)
(Charged)/credited to the income statement	(9,212)	61,465	52,253
<b>At 30 September 2016</b>	<b>41,008</b>	<b>(90,695)</b>	<b>(49,687)</b>

The analysis of deferred income tax liabilities is as follows:

	2016 £	2015 £
Deferred income assets:		
- Deferred tax assets to be recovered after more than 12 months	41,008	50,220
Deferred income tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(90,695)	(152,160)
<b>Deferred income tax liabilities – net</b>	<b>(49,687)</b>	<b>(101,940)</b>

## Notes to the financial statements for the year ended 30 September 2016

## 17 Deferred income

<b>Government grants</b>	<b>£</b>
At 1 October 2014	663,569
Capital grants received during the year	25,279
Released to the income statement	(147,351)
At 1 October 2015	541,497
Capital grants received during the year	254,173
Released to the income statement	(156,768)
<b>At 30 September 2016</b>	<b>638,902</b>

## 18 Share capital

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Allotted and fully paid</b>		
2 (2015: 2) ordinary shares of £1 each	2	2

## 19 Cash (used in)/generated from operations

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
(Loss)/profit before income tax	(3,370,664)	5,265,097
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	399,193	296,380
Amortisation of intangible assets	634	1,400
Finance costs - net	363,757	257,099
Release of capital grant	(156,768)	(147,351)
Movement in trade and other receivables	(434,949)	107,370
Movement in trade and other payables	(219,125)	441,762
<b>Net cash (used in)/generated from operations</b>	<b>(3,417,923)</b>	<b>6,221,757</b>

## 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:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Defined contribution scheme	65,336	44,508

Amounts owed to the pension scheme as at 30 September 2016 totalled £7,329 (2015: £7,702).

## Notes to the financial statements for the year ended 30 September 2016

**21 Capital and other financial commitments**

	2016	2015
	£	£
Contracts placed for future property, plant and equipment expenditure not provided in the financial statements	64,928	25,000

**22 Operating lease commitments - minimum lease payments**

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

Group	Motor vehicles		Other	
	2016 £	2015 £	2016 £	2015 £
No later than one year	2,835	9,599	2,177	2,645
More than one year and no later than five years	-	2,835	4,647	2,972
	2,835	12,434	6,824	5,617

**23 Contingent liabilities**

The company is party to an unlimited inter-company cross company guarantee in relation to group banking facilities.

There exists a contingent liability to repay certain capital and revenue grants received from Invest Northern Ireland if certain conditions are not met. The directors do not anticipate any repayment falling due under the terms on which the grants were received as there are no unfulfilled conditions.

**24 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 2016

## 24 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 2016	September 2015
Share price at grant date	£0.651	£0.587
Number of employees	4	3
Share awards	120,954	88,453
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	£0.651	£0.587

The fair value of share awards granted during the year determined using the Black-Scholes valuation model was £0.651 (2015: £0.587). 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:

	2016 Number	2015 Number
Outstanding at 1 October	387,836	263,043
Granted	120,954	97,333
Transferred In	-	118,536
Forfeited	(194,211)	-
Exercised	(133,183)	(91,076)
Outstanding at 30 September	181,396	387,836
<b>Exercisable on 1 January 2017/2016</b>	<b>48,149</b>	<b>133,183</b>

The weighted average share price of share awards exercised in the year was £0.651 (2015: £0.587).

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

	2016 Number	2015 Number
2016	-	133,183
2017	48,149	127,047
2018	48,655	127,606
2019	84,592	-
	<b>181,396</b>	<b>387,836</b>

The total income recognised in the income statement was £(32,703) (2015: expense of £129,189). The year-end liability is £118,089 (2015: £227,660).

**Notes to the financial statements for the year ended 30 September 2016**

**25 Ultimate controlling party and related party transactions**

The ultimate parent undertaking and 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 parties are A D Armstrong, S Campbell, C Hayburn, and J W Irvine.

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

Companies within Almac Group Limited are related parties of Almac Discovery Limited.

Transactions entered into during the year and year end balances with companies within Almac Group Limited were as follows:

	2016 £	2015 £
Purchases from group undertakings	(426,170)	(914,683)
Management charge	(309,088)	(303,487)
Interest receivable to related parties (note 5)	1,986	726
Interest payable to related parties (note 5)	(365,743)	(257,825)
Amounts owed by group undertakings (note 11)	63,178	91,418
Amounts owed to group undertakings (note 13 and 14)	(17,166,304)	11,606,087
Group relief receivable (note 11)	764,663	3,933