

Almac Discovery Limited
Annual report and financial statements
for the year ended 30 September 2013

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Almac Discovery Limited

Annual report and financial statements for the year ended 30 September 2013

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Directors and advisers

Directors

A D Armstrong
S Barr
C Hayburn
J W Irvine
S Campbell
K Stephens

Company secretary

A Rafferty

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 2013

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2013.

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 £2,625,149 (2012: £2,781,150) during the year which is in line with expectations. The company foresees further losses in future years; however these are anticipated as a consequence of the research project programme. Funding commitments have been put in place to support the company through its development phase.

Financial risk management

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

Results and dividends

The loss after income tax for the financial year is £2,625,149 (2012: £2,781,150). The directors do not recommend payment of a dividend (2012: £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 £2,982,564 (2012: £3,454,459) and was expensed as incurred. No development expenditure was incurred in the year (2012: £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 (2012: £nil). No donations for political purposes were made during the year (2012: £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 2013**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. The company has also availed of the small companies' exemption in respect of the preparation of a Strategic Report.

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.

On behalf of the Board



K Stephens

Director

19 December 2013

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.

On behalf of the Board



K Stephens

Director

19 December 2013

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 2013 which comprise the Income statement, the Statement of changes in equity, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
19 December 2013

Income statement for the year ended 30 September 2013

	Note	2013 £	2012 £
Continuing operations			
Revenue	2	-	-
Research and development expenditure	6	(3,461,085)	(3,881,670)
Operating loss		(3,461,085)	(3,881,670)
Operating loss is analysed as:			
Operating loss before depreciation, amortisation and R&D ("EBITDA")		-	-
Depreciation of property, plant and equipment		(476,212)	(424,817)
Amortisation and impairment of intangible assets		(2,309)	(2,394)
Research and development expenditure ("R&D")		(2,982,564)	(3,454,459)
Total		(3,461,085)	(3,881,670)
Finance costs	5	(131,263)	(65,646)
Finance income	5	-	-
Finance costs – net	5	(131,263)	(65,646)
Loss before income tax		(3,592,348)	(3,947,316)
Income tax credit	8	967,199	1,166,166
Loss for the year attributable to owners of the company		(2,625,149)	(2,781,150)

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

There is no other comprehensive income for the year (2012: £nil).

Statement of changes in equity for the year ended 30 September 2013

	Share capital £	Retained earnings £	Total equity £
At 1 October 2011	2	(7,959,324)	(7,959,322)
Loss for the year and total comprehensive expense	-	(2,781,150)	(2,781,150)
At 1 October 2012	2	(10,740,474)	(10,740,472)
Loss for the year and total comprehensive expense	-	(2,625,149)	(2,625,149)
At 30 September 2013	2	(13,365,623)	(13,365,621)

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

Balance sheet as at 30 September 2013

	Note	2013 £	2012 £
Assets			
Non-current assets			
Intangible assets	9	3,108	5,417
Property, plant and equipment	10	1,522,413	1,953,666
Total non-current assets		1,525,521	1,959,083
Current assets			
Trade and other receivables	11	1,070,675	1,356,291
Cash and cash equivalents	12	-	-
Total current assets		1,070,675	1,356,291
Total assets		2,596,196	3,315,374
Liabilities			
Current liabilities			
Borrowings	13	14,085,406	12,186,558
Trade and other payables	14	727,822	512,265
Total current liabilities		14,813,228	12,698,823
Non-current liabilities			
Other non-current liabilities	15	216,347	219,345
Deferred income tax liabilities	16	111,363	198,065
Deferred income	17	820,879	939,613
Total non-current liabilities		1,148,589	1,357,023
Total liabilities		15,961,817	14,055,846
Equity			
Capital and reserves attributable to owners of the company			
Share capital	18	2	2
Retained earnings		(13,365,623)	(10,740,474)
Total equity		(13,365,621)	(10,740,472)
Total equity and liabilities		2,596,196	3,315,374

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

The financial statements on pages 6 to 25 were authorised for issue by the Board of directors on 19 December 2013 and were signed on their behalf by:



S Campbell (Director)

Almac Discovery Limited



A D Armstrong (Director)

Registered number: NI 046249

Cash flow statement for the year ended 30 September 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Cash generated used in operations	19	(3,237,815)	(3,777,190)
Finance costs		(131,263)	(65,646)
Taxation recovered		1,177,467	-
Net cash used in operating activities		(2,191,611)	(3,842,836)
Cash flows from investing activities			
Purchase of property, plant and equipment		(44,959)	(339,871)
Capital grants received		101,440	46,035
Net cash used in investing activities		56,481	(293,836)
Cash flows from financing activities			
Advances from group undertakings		2,146,351	4,216,003
Net cash generated from financing activities		2,146,351	4,216,003
Net increase in cash and cash equivalents		11,221	79,331
Cash and cash equivalents and bank overdrafts at beginning of the year		(38,317)	(117,648)
Cash and cash equivalent and bank overdrafts at end of the year	12	(27,096)	(38,317)

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

Notes to the financial statements for the year ended 30 September 2013**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.

New standards, amendments and interpretations effective in the year to 30 September 2013

The accounting policies set out below are those that the group has adopted under International Financial Reporting Standards as adopted by the European Union for the year ended 30 September 2013.

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 October 2012 and have a material impact on the group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Notes to the financial statements for the year ended 30 September 2013

1 Accounting policies (continued)

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 group:

- IAS 19 (revised 2011) 'Employee benefits' ;
- IAS 28 (revised 2011) 'Associates and joint ventures';
- IFRS 9, 'Financial instruments';
- IFRS 10, 'Consolidated financial statements';
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosures of interests in other entities';
- IFRS 13, 'Fair value measurement';
- IFRIC 20, 'Stripping costs in the production phase of a surface mine'
- Amendment to IAS 12, 'Income taxes' on deferred tax';
- Amendment to IAS 32 Financial instruments: Presentation on offsetting financial assets and financial liabilities; and
- Amendment to IFRS 1 on hyperinflation and fixed dates;

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

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.

Notes to the financial statements for the year ended 30 September 2013**1 Accounting policies (continued)****Property, plant and equipment (continued)**

The principal annual depreciation rates used are as follows:

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

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

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

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

Financial assets

The company classifies all its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Impairment of financial assets

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

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

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

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

Notes to the financial statements for the year ended 30 September 2013**1 Accounting policies (continued)****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.

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.

Notes to the financial statements for the year ended 30 September 2013**1 Accounting policies (continued)****Grants**

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

Research and development

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

Revenue recognition

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

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

Foreign currency translation

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

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

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.

Notes to the financial statements for the year ended 30 September 2013

1 Accounting policies (continued)**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.

Foreign exchange risk

While all of the company's revenues are denominated in US dollars, the company is exposed to foreign exchange risk in transactions with group undertakings based in the UK whose functional currency is UK pound sterling. 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:

	2013		2012	
	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	+5	+5	+8	+8
US dollar strengthens by 10% against UK pound	(6)	(6)	(10)	(10)

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:-

	2013		2012	
	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%	(48)	(48)	(23)	(23)
Interest rates decrease by 1%	+48	+48	+23	+23

Notes to the financial statements for the year ended 30 September 2013

3 Financial risk management (continued)

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.

5 Finance costs - net

	2013	2012
	£	£
Finance costs - Interest payable to group undertakings	(131,263)	(65,646)
Finance income - Interest receivable on bank deposits	-	-
Finance costs - net	(131,263)	(65,646)

6 Expenses by nature

	2013	2012
	£	£
Employee benefits expense (note 7)	1,442,436	1,806,088
Depreciation and amortisation	478,521	427,211
Revenue grants	(1,414,644)	(1,046,345)
Transfer from capital grant reserve	(220,174)	(145,820)
Other expenses	3,174,946	2,840,536
Total research and development expenditure	3,461,085	3,881,670

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:

	2013	2012
	£	£
Fees payable to the company's auditors for the audit	3,825	3,839
Fees payable to the company's auditors for other services:		
- other services pursuant to legislation	4,504	3,173
- tax services	1,500	1,500

Notes to the financial statements for the year ended 30 September 2013

7 Employees and directors

	2013	2012
	£	£
Staff costs during the year:		
Wages and salaries	1,214,505	1,567,577
Social security costs	120,187	147,560
Other pension costs	64,789	69,964
Share based payment costs	42,955	20,987
	1,442,436	1,806,088
	2013	2012
	Number	Number
Average monthly number of persons employed (including directors) during the year by activity:		
Research	32	34

The employee numbers include 17 employees who are currently on secondment to a third party.

There were no key members of management during the year or the previous year other than the directors. No directors (2012: £nil) have retirement benefits accruing under a defined contribution plan nor were remunerated during the year (2012: £nil).

8 Income tax credit

	2013	2012
	£	£
Current tax		
Group relief receivable – current year	809,922	1,177,467
– adjustments in respect of previous periods	70,575	-
Total current tax	880,497	1,177,467
Deferred tax		
Origination and reversal of temporary differences	71,517	(10,242)
Changes in tax laws and rates	15,185	17,224
Adjustment in respect of previous periods	-	(18,283)
Total deferred tax	86,702	(11,301)
Income tax credit	967,199	1,166,166

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the company's losses in this accounting year are taxed at an effective rate of 23.5%.

Notes to the financial statements for the year ended 30 September 2013

8 Income tax credit (continued)

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:

	2013 £	2012 £
Loss before income tax	(3,592,348)	(3,947,316)
Loss before income tax at the UK standard rate of 23.5% (2012: 25%)	(844,202)	(986,829)
Effects of:		
Enhanced research and development expenditure	-	(187,429)
Adjustments in respect of previous periods	(70,575)	18,283
Income not subject to tax	(675,013)	-
Expenses not deductible for tax purposes	475,573	43,488
Capital grants not taxable	-	(36,455)
Changes in tax laws and rates	147,018	(17,224)
Income tax credit	(967,199)	(1,166,166)

Factors affecting future tax charges:

During the year, changes to the UK main corporation tax rate, were substantively enacted on 3 July 2013. A rate of 21% is effective from 1 April 2014 and 20% from 1 April 2015, the relevant deferred tax balances have been re-measured.

9 Intangible assets

	Computer software £
Cost	
At 1 October 2011, at 1 October 2012 and at 30 September 2013	11,970
Accumulated amortisation	
At 1 October 2011	4,159
Charge for the year	2,394
At 1 October 2012	6,553
Charge for the year	2,309
At 30 September 2013	8,862
Net book amount	
At 30 September 2013	3,108
At 30 September 2012	5,417

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

Notes to the financial statements for the year ended 30 September 2013

10 Property, plant and equipment

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 October 2011	1,272,425	1,396,603	59,488	2,728,516
Additions	30,530	302,766	6,575	339,871
At 1 October 2012	1,302,955	1,699,369	66,063	3,068,387
Additions	-	34,775	10,184	44,959
At 30 September 2013	1,302,955	1,734,144	76,247	3,113,346
Accumulated depreciation				
At 1 October 2011	346,311	319,613	23,980	689,904
Charge for the year	141,236	267,781	15,800	424,817
At 1 October 2012	487,547	587,394	39,780	1,114,721
Charge for the year	142,508	297,255	36,449	476,212
At 30 September 2013	630,055	884,649	76,229	1,590,933
Net book amount				
At 30 September 2013	672,900	849,495	18	1,522,413
At 30 September 2012	815,408	1,111,975	26,283	1,953,666

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

11 Trade and other receivables

	2013 £	2012 £
Amounts owed by group undertakings	8,701	-
Amounts owed by other related parties	86,559	54,000
Group relief receivable	880,497	1,177,467
Other receivables	9,385	6,190
Prepayments and accrued income	85,533	118,634
	1,070,675	1,356,291

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

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

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

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

None of these trade receivables have had their terms renegotiated.

No classes within trade and other receivables contain impaired assets.

Notes to the financial statements for the year ended 30 September 2013

12 Cash and cash equivalents

	2013	2012
	£	£
Cash at bank and in hand	-	-

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

	2013	2012
	£	£
Cash and cash equivalents	-	-
Bank overdrafts (note 13)	(27,096)	(38,317)
	(27,096)	(38,317)

13 Borrowings

	2013	2012
	£	£
Current		
Bank overdrafts – secured	27,096	38,317
Amounts owed to group undertakings	14,058,310	12,148,241
Total current	14,085,406	12,186,558

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.

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

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

14 Trade and other payables

	2013	2012
	£	£
Trade payables	59,056	67,133
Amounts owed to group undertakings	338,198	101,916
Amounts owed to other related parties	4,042	93
Other tax and social security	22,075	44,238
Other creditors	7,136	12,103
Accruals	297,315	286,782
	727,822	512,265

Notes to the financial statements for the year ended 30 September 2013

14 Trade and other payables (continued)

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

	2013	2012
	£	£
Accruals	216,347	219,345

Maturity of other non-current liabilities

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

	2013	2012
	£	£
In more than one year but not more than two years	97,111	91,997
In more than two years but not more than five years	119,236	127,348
	216,347	219,345

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 2011	(186,764)
Charged to the income statement	(11,301)
At 1 October 2012	(198,065)
Credited to the income statement	86,702
At 30 September 2013	(111,363)

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 2011	74,305	(261,069)	(186,764)
Charged to the income statement	(5,757)	(5,544)	(11,301)
At 1 October 2012	68,548	(266,613)	(198,065)
Charged/ credited to the income statement	(132,296)	218,998	86,702
At 30 September 2013	(63,748)	(47,615)	(111,363)

Notes to the financial statements for the year ended 30 September 2013

16 Deferred income tax liabilities (continued)

The analysis of deferred income tax liabilities is as follows:

	2013	2012
	£	£
Deferred income assets:		
- Deferred tax assets to be recovered after more than 12 months	63,748	68,548
Deferred income tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(175,111)	(266,613)
Deferred income tax liabilities - net	(111,363)	(198,065)

17 Deferred income

Government grants	£
At 1 October 2011	1,039,398
Capital grants received during the year	46,035
Released to the income statement	(145,820)
At 1 October 2012	939,613
Capital grants received during the year	101,440
Released to the income statement	(220,174)
At 30 September 2013	820,879

18 Share capital

	2013	2012
	£	£
Authorised		
100,000,000 (2012: 100,000,000) ordinary shares of £1 each	100,000,000	100,000,000
Allotted and fully paid		
2 (2012: 2) ordinary shares of £1 each	2	2

19 Cash used in operations

	2013	2012
	£	£
Loss before income tax	(3,592,348)	(3,947,316)
Adjustments for:		
Depreciation of property, plant and equipment	476,212	424,817
Amortisation of intangible assets	2,309	2,394
Finance income	-	-
Finance costs	131,263	65,646
Release of capital grant	(220,174)	(145,820)
Movement in trade and other receivables	(11,354)	4,621
Movement in trade and other payables	(23,723)	(181,532)
Net cash used in operations	(3,237,815)	(3,777,190)

Notes to the financial statements for the year ended 30 September 2013

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:

	2013	2012
	£	£
Defined contribution scheme	64,789	69,964

Amounts owed to the pension scheme as at 30 September 2013 totalled £6,622 (2012: £11,659).

21 Capital and other financial commitments

	2013	2012
	£	£
Contracts placed for future property, plant and equipment expenditure not provided in the financial statements	9,000	1,000

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	
	2013	2012	2013	2012
	£	£	£	£
No later than one year	9,599	-	1,324	-
More than one year and no later than five years	22,032	-	2,648	-
	31,631	-	3,972	-

23 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 2013
23 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 2013	September 2012
Share price at grant date	£0.551	£0.606
Exercise price at grant date	-	-
Number of employees	3	2
Share awards	92,489	72,608
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	£0.551	£0.606

The fair value of share awards granted during the year determined using the Black-Scholes valuation model was £0.551 (2012: £0.606). 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:

	2013	2012
	Number	Number
Outstanding at 1 October 2012/2011	221,322	234,701
Granted	92,489	72,608
Transferred In	36,591	-
Exercised	(77,294)	(85,987)
Outstanding at 30 September 2013/2012	273,108	221,322
Exercisable on 1 January 2013/2012	89,543	77,294

The weighted average share price of share awards exercised in the year was £0.551 (2012: £0.606).

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

	2013	2012
	Number	Number
2013	-	77,294
2014	89,543	71,420
2015	91,076	72,608
2016	92,489	-

The total expense recognised in the income statement was £42,955 (2012: £20,987). The year-end liability is £150,483 (2012: £134,121).

Notes to the financial statements for the year ended 30 September 2013

24 Ultimate controlling party and related party transactions

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

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

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

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

	2013	2012
	£	£
Purchases from group undertakings	1,399,738	446,438
Management charge	283,050	258,116
Purchases from related parties	28,888	8,460
Interest payable to related parties	131,263	65,646
Amounts owed by group undertakings	8,701	-
Amounts owed by related parties	86,559	54,000
Amounts owed to group undertakings	14,396,508	12,250,157
Amounts owed to related parties	4,042	93
Group relief receivable	880,497	1,177,467