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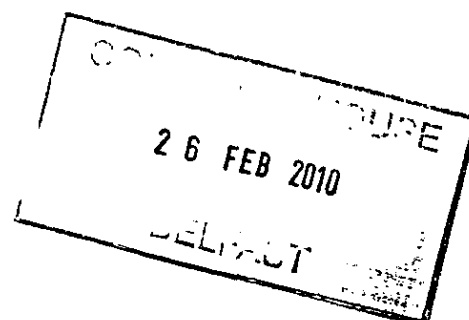
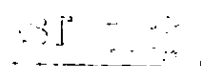


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**Almac Sciences (Scotland) Limited**  
**Annual report**  
**for the year ended 30 September 2009**

26 FEB 2010



# **Almac Sciences (Scotland) Limited**

## **Annual report for the year ended 30 September 2009**

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# **Almac Sciences (Scotland) Limited**

1

## **Directors and advisers**

### **Executive directors**

Dr Sir Allen McClay OBE, CBE – Chairman (deceased 12 January 2010)

S Barr

J W Irvine

R A Milliken (resigned 6 April 2009)

R Ramage

A D Armstrong

C Hayburn

S Campbell

### **Company secretary**

C Hayburn

### **Registered office**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

### **Solicitors**

Dundas and Wilson  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

### **Bankers**

Northern Bank Limited  
45-48 High Street  
Portadown  
BT62 1LB

### **Independent auditors**

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

## Directors' report for the year ended 30 September 2009

The directors present their report and the audited financial statements of the company for the year ended 30 September 2009.

### Principal activity

Almac Sciences (Scotland) Limited is a private limited company incorporated in Scotland. The company's registered address is detailed on page 1.

The principal activity of the company is scientific research.

### Results and dividends

The loss for the financial year is £825,189 (2008: £682,274). The directors do not recommend payment of a dividend (2008: £nil).

### Directors

The directors who served during the year 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 secured 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.

### Research and development

The company is committed to research and development in the area of drug discovery. Research in the year totalled £492,295 (2008: £229,332) and was expensed as incurred. No development expenditure was incurred in the year (2008: £nil).

### Donations

No donations for charitable or political purposes were made during the year (2008: £nil).

### Employees

The company's policy is to consult and discuss with employees those matters likely to affect employees' interests.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, whenever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### Statement of disclosure of information to auditors

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

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

**Small companies' exemption**

The above report has been prepared in accordance with the small companies regime of the Companies Act 2006.

By order of the Board

A handwritten signature in black ink, appearing to read 'C Hayburn', is written over the typed name.

C Hayburn  
**Company secretary**  
21 January 2010

## Statement of directors' responsibilities

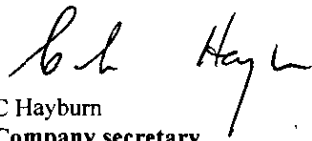
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

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

By order of the Board



C Hayburn  
Company secretary  
21 January 2010

**Independent auditors' report to the members of Almac Sciences (Scotland) Limited**

We have audited the financial statements of Almac Sciences (Scotland) Limited for the year ended 30 September 2009 which comprise the income statement, statement of changes in equity, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

**Respective responsibilities of directors and auditors**

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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



Stephen Curragh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast  
21 January 2010

**Income statement for the year ended 30 September 2009**

	Notes	2009 £	2008 £
<b>Continuing operations</b>			
Revenue	2	1,187,780	895,913
Cost of sales	6	(809,330)	(658,712)
Gross profit		378,450	237,201
Administrative expenses	6	(706,695)	(684,279)
Research and development expenditure	6	(492,295)	(229,332)
<b>Operating loss</b>		<b>(820,540)</b>	<b>(676,410)</b>
<b>Operating loss as analysed as:</b>			
EBITDA before research and development expenditure		(220,049)	(340,993)
Depreciation of property, plant and equipment		(108,038)	(106,085)
Amortisation of intangible assets		(158)	-
Research and development expenditure		(492,295)	(229,332)
Finance costs	5	(4,649)	(5,864)
Loss before income tax		(825,189)	(682,274)
Income tax	8	-	-
<b>Loss for the year attributable to equity holders of the company</b>		<b>(825,189)</b>	<b>(682,274)</b>



## Statement of changes in equity

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 October 2007	536,025	908,869	(3,015,210)	(1,570,316)
Shares issued during the year	500,000	-	-	500,000
Loss for the year	-	-	(682,274)	(682,274)
At 1 October 2008	1,036,025	908,869	(3,697,484)	(1,752,590)
Loss for the year	-	-	(825,189)	(825,189)
At 30 September 2009	1,036,025	908,869	(4,522,673)	(2,577,779)

**Balance sheet as at 30 September 2009**

	Notes	2009 £	2008 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	2,289	-
Property, plant and equipment	10	751,327	776,779
<b>Total non-current assets</b>		<b>753,616</b>	<b>776,779</b>
<b>Current assets</b>			
Trade and other receivables	11	256,416	251,578
Cash and cash equivalents	12	127,306	341,704
<b>Total current assets</b>		<b>383,722</b>	<b>593,282</b>
<b>Total assets</b>		<b>1,137,338</b>	<b>1,370,061</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	15	779,719	797,516
Trade and other payables	13	2,719,457	2,094,792
<b>Total current liabilities</b>		<b>3,499,176</b>	<b>2,892,308</b>
<b>Non-current liabilities</b>			
Borrowings	15	35,000	35,169
Other non-current liabilities	14	84,879	87,268
Deferred income	17	96,062	107,906
<b>Total non-current liabilities</b>		<b>215,941</b>	<b>230,343</b>
<b>Total liabilities</b>		<b>3,715,117</b>	<b>3,122,651</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Ordinary shares	18	1,036,025	1,036,025
Share premium account		908,869	908,869
Retained earnings		(4,522,673)	(3,697,484)
<b>Total equity</b>		<b>(2,577,779)</b>	<b>(1,752,590)</b>
<b>Total equity and liabilities</b>		<b>1,137,338</b>	<b>1,370,061</b>

The notes on pages 10 to 22 are an integral part of these financial statements.

The financial statements on pages 6 to 22 were authorised for issue by the board of directors on 21 January 2010 and were signed on its behalf by:



A D Armstrong  
Directors



S Campbell

**Cash flow statement for the year ended 30 September 2009**

	Notes	2009 £	2008 £
<b>Cash flows from operating activities</b>			
Cash used in operations	19	(106,915)	(105,861)
Interest paid		(4,649)	(5,864)
Net cash used in operating activities		(111,564)	(111,725)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(82,586)	(146,056)
Purchase of intangible assets		(2,447)	-
Net proceeds from additional capital grants		165	51,750
Net cash used in investing activities		(84,868)	(94,306)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(17,966)	(32,797)
Issue of share capital		-	500,000
Net cash (used in)/generated from financing activities		(17,966)	467,203
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(214,398)</b>	<b>261,172</b>
Cash and cash equivalents at beginning of the year		341,704	80,532
<b>Cash and cash equivalents at end of the year</b>	12	<b>127,306</b>	<b>341,704</b>

**Notes to the financial statements for the year ended 30 September 2009**

**1 Accounting policies**

**General information**

The company's principal activity during the year was as described in the directors' report. The financial statements are presented in sterling. Almac Sciences (Scotland) Limited is a private limited company incorporated in Scotland. The company's registered address is detailed on page 1.

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

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Management has concluded that there are no critical assumptions or estimates involving a high degree of judgment or complexity which require further disclosure. The company's accounting policies and estimates are detailed below.

**Standards, amendments and interpretations effective in the year to 30 September 2009**

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

		Effective date
International Financial Reporting Interpretation Committee (IFRIC) Interpretations		
IFRIC 12	Service concession arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IFRIC 16	Hedges of a net investment in a foreign operator	1 October 2008

None of the IFRIC interpretations has any material impact on these financial statements.

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

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

		Effective date
International Accounting Standards (IASs/IFRSs)		
IFRS 1 (amendment)	First time adoption of IFRS	1 January 2009
IFRS 2 (amendment)	Share based payments	1 January 2009
IFRS 3 (revised)	Business combinations	1 July 2009
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations	1 January 2010
IFRS 7 (amendment)	Financial instruments - Disclosures	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 1 (revised)	Presentation of financial statements	1 January 2009
IAS 1 (amendment)	Presentation of financial statements	1 January 2010
IAS 23 (revised)	Borrowing costs	1 January 2009
IAS 27 (revised)	Consolidated and separate financial statements	1 July 2009
IAS 32 (amendment)	Financial instruments: Presentation	1 January 2009
IAS 38 (amendment)	Intangible assets	1 July 2009
IAS 39 (amendment)	Financial instruments: Recognition and measurement on eligible hedged items	1 July 2009

## 1 Accounting policies (continued)

International Financial Reporting interpretation Committee (IFRIC) Interpretations

IFRIC 15	Agreements for construction of real estate	1 January 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009

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

IFRS 7 'Financial instruments - Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

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

### Intangible assets

#### *Computer software*

The costs of acquiring and bringing to use computer software are capitalised and amortised on a straight-line basis over the estimated useful economic life of the software which is between three to five years.

Capitalised software development costs include external direct costs of material and services together with direct labour costs relating to software development and an appropriate portion of directly attributable overheads.

### 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 company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

For all assets depreciation is calculated so as to write off the cost less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

	%
Long leasehold buildings	- 10
Plant and machinery	- 10
Fixtures, fittings and 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.

### 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 twelve months after the balance sheet date. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

**1 Accounting policies (continued)****Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the income statement.

**Cash and cash equivalents**

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Trade payables**

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 company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

**Leased assets**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. 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.

**1 Accounting policies (continued)****Current and deferred income tax (continued)**

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company 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 company's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts.

The company 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 company considers this to be upon shipment 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 company uses percentage-of-completion method in accounting for its fixed price contracts to deliver services. Use of the percentage-of-completion method requires the company to estimate the services performed to date as a proportion of the total services to be performed.

**Foreign currency translation**

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

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

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

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

**Pension obligations**

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.

## **2 Analysis of revenue**

Revenue is attributable to the company's principal activities carried out in the United Kingdom.

## **3 Financial risk management**

### **Financial risk factors**

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange risk, credit risk and liquidity risk. Interest-bearing liabilities consist of related party loans which incur interest at a fixed rate. 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.

#### **Market risk**

##### **(i) Foreign exchange risk**

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to foreign exchange risk in the normal course of business. While 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 the sterling spot rate on 30 September with all other variables held constant, the financial statements would have been impacted as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Impact on post-tax profits £'000</b>	<b>Impact on equity £'000</b>	<b>Impact on post-tax profits £'000</b>	<b>Impact on equity £'000</b>
US Dollar weakens by 10% against GBP	+4	+4	+5	+5
US Dollar strengthens by 10% against GBP	-4	-4	-6	-6

The directors do not regard the company's foreign exchange exposure on sales in Euro as significant.

#### **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The amount of exposure to individual customers is subject to limits, which are reassessed regularly.

#### **Liquidity risk**

The company projects cash flow requirements as part of its annual budget setting process. Cash requirements are monitored dynamically by the company. As a result of its activities, the company is a net consumer of cash and combines related party funding with external sources to ensure that sufficient liquidity is maintained to allow continuous operation.

## **4 Capital risk management**

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



## 5 Finance costs

	2009 £	2008 £
Interest expense:		
Interest payable to related parties	4,649	5,864
<b>Finance costs</b>	<b>4,649</b>	<b>5,864</b>

## 6 Expenses by nature

	2009 £	2008 £
Staff costs (note 7)	715,403	619,637
Depreciation and amortisation	108,196	106,085
Other operating lease rentals	75,120	89,058
Research and development	492,295	229,332
Revenue grants	(98,491)	(224,265)
Transfer from capital grant reserve	(12,009)	(8,439)
Other expenses	727,806	760,915
<b>Total cost of sales, research and development, and administrative expenses</b>	<b>2,008,320</b>	<b>1,572,323</b>

### 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.

	2009 £	2008 £
Fees payable to the company's auditor for the audit	3,250	3,250
Fees payable to company's auditor and its associates for other services:		
- tax services	1,500	1,500

## 7 Employees and directors

	2009 £	2008 £
<b>Staff costs during the year</b>		
Wages and salaries	626,874	537,900
Social security costs	61,542	60,335
Pension costs – defined contribution schemes	26,987	21,402
	<b>715,403</b>	<b>619,637</b>

	2009 Number	2008 Number
<b>Average monthly number of persons employed (including directors) during the year by activity:</b>		
Administration	1	1
Other	21	18
	<b>22</b>	<b>19</b>

There were no key members of management during the year other than the directors.

No directors (2008: nil) have retirement benefits accruing under a defined contribution plan nor were remunerated during the year.

**8 Income tax**

	2009 £	2008 £
<b>Current tax</b>	-	-
<b>Deferred tax</b>	-	-
<b>Income tax</b>	-	-

Tax assessed for the year differs from that derived from the standard rate of corporation tax in the UK of 28% (2008: 28%). The differences are explained below:

	2009 £	2008 £
Loss on ordinary activities before tax	(825,189)	(682,274)
Loss on ordinary activities before tax at the UK standard rate of 28% (2008: 28%)	(231,053)	(191,037)
Effects of:		
Expenses not deductible for tax purposes	9,731	-
Income not subject to tax	(6,240)	11,048
Research and development tax credits	(38,268)	(40,156)
Deferred tax asset not recognised	269,193	222,508
Capital grants not taxable	(3,363)	(2,363)
<b>Income tax</b>	-	-

**9 Intangible assets**

	Computer software £
<b>Cost</b>	
At 1 October 2008	-
Additions	2,447
<b>At 30 September 2009</b>	<b>2,447</b>
<b>Accumulated amortisation</b>	
At 1 October 2008	-
Charge for the year	158
<b>At 30 September 2009</b>	<b>158</b>
<b>Net book value</b>	
<b>At 30 September 2009</b>	<b>2,289</b>
At 30 September 2008	-

Amortisation is included within administrative expenses in the income statement.

10 Property, plant and equipment

	Long leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 October 2008	207,961	1,162,195	52,839	1,422,995
Additions	-	78,174	4,412	82,586
<b>At 30 September 2009</b>	<b>207,961</b>	<b>1,240,369</b>	<b>57,251</b>	<b>1,505,581</b>
<b>Accumulated depreciation</b>				
At 1 October 2008	136,907	471,719	37,590	646,216
Charge for the year	20,796	83,905	3,337	108,038
<b>At 30 September 2009</b>	<b>157,703</b>	<b>555,624</b>	<b>40,927</b>	<b>754,254</b>
<b>Net book value</b>				
<b>At 30 September 2009</b>	<b>50,258</b>	<b>684,745</b>	<b>16,324</b>	<b>751,327</b>
	Long leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 October 2007	207,961	1,022,105	46,873	1,276,939
Additions	-	140,090	5,966	146,056
<b>At 30 September 2008</b>	<b>207,961</b>	<b>1,162,195</b>	<b>52,839</b>	<b>1,422,995</b>
<b>Accumulated depreciation</b>				
At 1 October 2007	116,111	389,669	34,351	540,131
Charge for the year	20,796	82,050	3,239	106,085
<b>At 30 September 2008</b>	<b>136,907</b>	<b>471,719</b>	<b>37,590</b>	<b>646,216</b>
<b>Net book value</b>				
<b>At 30 September 2008</b>	<b>71,054</b>	<b>690,476</b>	<b>15,249</b>	<b>776,779</b>

Depreciation is included within administrative expenses in the income statement.

Borrowings are secured against the above assets (note 15).

**11 Trade and other receivables**

	2009 £	2008 £
<b>Amounts falling due within one year:</b>		
Trade receivables	218,738	185,417
Less: Provision for impairment of trade receivables	(6,079)	(8,557)
Trade receivables (net)	212,659	176,860
Amounts owed by related parties	9,663	13,126
Other receivables	-	28,313
Prepayments and accrued income	34,094	33,279
	<b>256,416</b>	<b>251,578</b>

The fair values of trade and other receivables are not materially different from the carrying values. For the purposes of IFRS 7, all of the company's financial assets are classified as loans and receivables. The company has no assets that may be classified as held at fair value through profit and loss, derivatives used for hedging or available-for-sale.

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

	2009 £	2008 £
<b>Currency</b>		
UK Pound	194,726	178,898
US Dollar	41,438	53,744
Euro	20,252	18,936
	<b>256,416</b>	<b>251,578</b>

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

Trade receivables impaired and the amount of the impairment provision at 30 September 2009 was £6,079 (2008: £8,557). The individually impaired receivables mainly relate to invoices for which there is uncertainty over recoverability. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than two months.

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

	2009 £	2008 £
At 1 October	8,557	32,540
Provision for receivables impairment	4,036	8,557
Receivables written off during the year as uncollectable	(6,514)	(32,540)
<b>At 30 September</b>	<b>6,079</b>	<b>8,557</b>

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

As of 30 September 2009, trade receivables of £85,034 (2008: £20,529) were past due but not impaired. These relate to a number of large multinational companies and public institutions for whom there is little risk of default. The aged analysis of these trade receivables is as follows:

	2009 £	2008 £
Up to 2 months overdue	29,144	8,572
More than 2 months overdue	55,890	11,957
	<b>85,034</b>	<b>20,529</b>

The other classes within trade and other receivables do not contain impaired assets.

**12 Cash and cash equivalents**

	2009 £	2008 £
Cash at bank and in hand	<b>127,306</b>	<b>341,704</b>

**13 Trade and other payables**

	2009 £	2008 £
Trade payables	131,427	117,827
Amounts owed to related parties	2,435,591	1,901,408
Other tax and social security	34,868	-
Other creditors	7,551	2,599
Accruals	110,020	72,958
	<b>2,719,457</b>	<b>2,094,792</b>

The fair value of trade and other payables are not materially different from their carrying value as the impact of discounting is not significant. There is no difference between the amounts shown above and the total contractual undiscounted cash flows of trade and other payables.

**14 Other non-current liabilities**

	2009 £	2008 £
Accruals	<b>84,879</b>	<b>87,268</b>

**Maturity of other non-current liabilities**

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

	2009 £	2008 £
In more than one year but not more than two years	38,745	30,924
In more than two years but not more than five years	46,134	56,344
	<b>84,879</b>	<b>87,268</b>

**15 Financial liabilities - Borrowings**

	2009	2008
	£	£
<b>Current</b>		
Other loans (a)	15,000	32,797
Amounts owed to related parties	764,719	764,719
	<b>779,719</b>	<b>797,516</b>
<b>Non-current</b>		
Other loans (a)	35,000	35,169

(a) The loan, which is due to The McClay Foundation, is repayable on an instalment basis. Interest is charged at a rate of 8.0%. The loan is secured by way of a floating charge on the assets of the company.

The fair value of current and non current borrowings equals their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4%.

For the purposes of IFRS 7, the financial liabilities noted above are classified as other financial liabilities. The company has no liabilities that may be classified as held at fair value through profit and loss or derivatives used for hedging.

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

**Maturity of financial liabilities**

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

	2009 Other loans £	2008 Other loans £
In more than one year but not more than two years	15,000	15,000
In more than two years but not more than five years	20,000	20,169
	<b>35,000</b>	<b>35,169</b>

**16 Deferred income tax**

The analysis of deferred income tax is as follows:

	2009 £	2008 £
<b>Deferred tax asset not recognised</b>		
Tax losses	1,367,908	1,161,335
Accelerated capital allowances	50,014	(5,228)
Other temporary differences	36,586	36,390
	<b>1,454,508</b>	<b>1,192,497</b>

No deferred tax asset has been recognised in relation to the above as in the opinion of the directors it may not be recoverable in the foreseeable future.

**17 Deferred income**

	Government grants £
At 1 October 2007	64,595
Additions	51,750
Released to income statement	(8,439)
At 1 October 2008	107,906
Additions	165
Released to income statement	(12,009)
At 30 September 2009	96,062

**18 Called up share capital**

	2009 £	2008 £
<b>Authorised</b>		
30,720,500 ordinary shares of £0.05 each	1,536,025	1,536,025

	2009 £	2008 £
<b>Issued and fully paid</b>		
<b>Ordinary shares of £0.05 each</b>		
At 1 October	1,036,025	536,025
Shares issued during the year	-	500,000
At 30 September	1,036,025	1,036,025

**19 Cash used in operations**

	2009 £	2008 £
Loss before income tax	(825,189)	(682,274)
Adjustment for:		
Depreciation of property, plant and equipment	108,038	106,085
Amortisation of intangible assets	158	-
Release of capital grant	(12,009)	(8,439)
Interest expense	4,649	5,864
Increase in trade and other receivables	(4,838)	(8,786)
Increase in trade and other payables	622,276	481,689
<b>Net cash used in operations</b>	<b>(106,915)</b>	<b>(105,861)</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:

	2009	2008
	£	£
Defined contribution scheme	26,987	21,402

**21 Capital and other financial commitments**

	2009	2008
	£	£
Contracts placed for future property, plant and equipment expenditure not provided in the financial statements	-	-

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

	2009	2008
	£	£
<b>Buildings</b>		
No later than one year	82,670	82,670
Later than one year and no later than five years	165,340	248,010
	248,010	330,680

**23 Ultimate controlling party and related party transactions**

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

Transactions entered into during the year with related parties and balances outstanding at 30 September are as follows:

	2009	2008
	£	£
Sales to related parties	146,583	64,367
Purchases from related parties	362,881	429,074

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

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