

**Almac Sciences (Scotland) Limited**  
**Annual report and financial statements**  
**for the year ended 30 September 2013**

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# **Almac Sciences (Scotland) 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**

C Hayburn

### **Registered office**

4<sup>th</sup> Floor  
Saltire Court  
20 Castle Terrace  
Edinburgh  
Lothian  
EH1 2EN

### **Solicitors**

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

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

The principal activity of the company is scientific research.

**Financial risk management**

The company operates within the competitive conditions of its market place. 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 £139,971 (2012: £760,790). The directors do not recommend payment of a dividend (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 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 £79,672 (2012: £456,434) and was expensed as incurred. No development expenditure was incurred in the year (2012: £nil).

**Political and charitable donations**

No donations for charitable or 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.

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.

**Directors' report for the year ended 30 September 2013**

**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.

**Small companies' exemption**

The above report has been prepared in accordance with the special provisions relating to small companies within 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.

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 Sciences (Scotland) Limited**

We have audited the financial statements of Almac Sciences (Scotland) Limited for the year ended 30 September 2013 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 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 consider 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 £	Restated 2012 £
<b>Continuing operations</b>			
Revenue	2	1,141,848	936,346
Cost of sales	6	(830,228)	(851,753)
Gross profit		311,620	84,593
Administrative expenses	6	(371,724)	(387,924)
Research and development expenditure	6	(79,672)	(456,434)
<b>Operating loss</b>		<b>(139,776)</b>	<b>(759,765)</b>
Operating loss as analysed as:			
Operating profit/(loss) before depreciation, amortisation and R & D ("EBITDA")		41,033	(191,528)
Depreciation of property, plant and equipment		(99,427)	(110,093)
Amortisation of intangible assets		(1,710)	(1,710)
Research and development expenditure ("R & D")		(79,672)	(456,434)
Finance costs	5	(195)	(1,057)
Finance income	5	-	31
Finance costs – net	5	(195)	(1,026)
<b>Loss before income tax</b>		<b>(139,971)</b>	<b>(760,791)</b>
Income tax expense	8	-	-
<b>Loss for the year attributable to owners of the company</b>		<b>(139,971)</b>	<b>(760,791)</b>

The notes on pages 10 to 27 are an integral part of these financial statements.

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



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

	Share capital £	Share premium account £	Accumulated losses £	Total equity £
At 1 October 2011	1,036,025	908,869	(6,052,583)	(4,107,689)
Loss for the year and total comprehensive income	-	-	(760,790)	(760,790)
At 1 October 2012	1,036,025	908,869	(6,813,373)	(4,868,479)
Loss for the year and total comprehensive income	-	-	(139,971)	(139,971)
<b>At 30 September 2013</b>	<b>1,036,025</b>	<b>908,869</b>	<b>(6,953,344)</b>	<b>(5,008,450)</b>

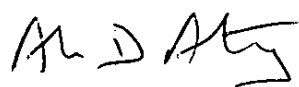
The notes on pages 10 to 27 are an integral part of these financial statements.

## Balance sheet as at 30 September 2013

	Note	2013 £	2012 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	2,791	4,501
Property, plant and equipment	10	305,790	401,899
<b>Total non-current assets</b>		<b>308,581</b>	<b>406,400</b>
<b>Current assets</b>			
Trade and other receivables	11	175,010	160,117
Cash and cash equivalents	12	67,146	150,006
<b>Total current assets</b>		<b>242,156</b>	<b>310,123</b>
<b>Total assets</b>		<b>550,737</b>	<b>716,523</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	13	1,999,719	1,794,719
Trade and other payables	14	3,497,670	3,689,407
<b>Total current liabilities</b>		<b>5,497,389</b>	<b>5,484,126</b>
<b>Non-current liabilities</b>			
Borrowings	13	-	-
Other non-current liabilities	15	13,937	40,841
Deferred income	17	47,861	60,035
<b>Total non-current liabilities</b>		<b>61,798</b>	<b>100,876</b>
<b>Total liabilities</b>		<b>5,559,187</b>	<b>5,585,002</b>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the company</b>			
Share capital	18	1,036,025	1,036,025
Share premium account		908,869	908,869
Accumulated losses		(6,953,344)	(6,813,373)
<b>Total equity</b>		<b>(5,008,450)</b>	<b>(4,868,479)</b>
<b>Total equity and liabilities</b>		<b>550,737</b>	<b>716,523</b>

The notes on pages 10 to 27 are an integral part of these financial statements.

The financial statements on pages 6 to 27 were authorised for issue by the Board of directors on 19 December 2013 and were signed on their behalf by:



A D Armstrong (Director)



S Campbell (Director)

Almac Sciences (Scotland) Limited

Registered number: SC 154034

**Cash flow statement for the year ended 30 September 2013**

	Note	2013 £	2012 £
<b>Cash flows from operating activities</b>			
Cash used in operations	19	(284,347)	(495,925)
Finance costs		(195)	(1,057)
Net cash used in operating activities		(284,542)	(496,982)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,318)	(9,206)
Finance income		-	31
Net cash used in investing activities		(3,318)	(9,175)
<b>Cash flows from financing activities</b>			
Increase of borrowings (net of repayments)		205,000	605,000
Net cash generated from financing activities		205,000	605,000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(82,860)</b>	<b>98,843</b>
Cash and cash equivalents at beginning of the year		150,006	51,163
<b>Cash and cash equivalents at end of the year</b>	12	<b>67,146</b>	<b>150,006</b>

The notes on pages 10 to 27 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 activity during the year was as described in the Directors' report. The financial statements are presented in UK pound sterling. Almac Sciences (Scotland) Limited is a private limited company incorporated and domiciled 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**

The financial statements of Almac Sciences (Scotland) 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 following standards have been adopted by the company for the first time for the financial year beginning on or after 1 October 2012 and have a material impact on the company:

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**

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):

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***Computer software*

The costs of acquiring and bringing computer software in to use 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 company 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 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.

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

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

No depreciation is charged on land. 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 disposal are determined by comparing the proceeds with the carrying amount and are included within administrative expenses in the income statement.

**Financial assets**

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

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 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.

**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 cash flow statement 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.

**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 direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

The company leases certain property, plant and equipment. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful economic life of the asset and the lease term.

**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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

**Notes to the financial statements for the year ended 30 September 2013****1 Accounting policies (continued)****Current and deferred income tax (continued)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the 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.

**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.

**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, as described above, 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 sales taxes, 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 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 company 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 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 of each of the company's entities 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 using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

**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 phantom share-based payments to certain employees of the company for their services to the company. The company accounts for these phantom share based payments as cash-settled phantom 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

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. 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.

## (a) Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in UK pound 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 UK pound sterling spot rate on 30 September 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	(10)	(10)	(17)	(17)
US dollar strengthens by 10% against UK pound	+12	+12	+21	+21

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

## (b) 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. Credit risk also arises from cash and cash equivalents with banks and financial institutions. Banking arrangements are reviewed and regularly reassessed by the board.

## (c) 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.

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

## 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
	£	£
Interest expense:		
Interest payable on bank borrowings	(112)	-
Interest payable to related parties	(83)	(1,057)
<b>Finance costs</b>	<b>(195)</b>	<b>(1,057)</b>
Interest income:		
Interest receivable	-	31
<b>Finance income</b>	<b>-</b>	<b>31</b>
<b>Finance costs – net</b>	<b>(195)</b>	<b>(1,026)</b>

## 6 Expenses by nature

	2013	2012
	£	£
Employee benefits expense (note 7)	561,632	730,903
Depreciation and amortisation	101,137	111,803
Operating lease payments	87,337	85,997
Transfer from capital grant reserve	(12,175)	(12,009)
Other expenses	543,693	779,416
<b>Total cost of sales, administrative expenses and research and development expenditure</b>	<b>1,281,624</b>	<b>1,696,111</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:

	2013	2012
	£	£
Fees payable to the company's auditor for the audit	3,341	3,437
Fees payable to company's auditor for other services:		
- tax services	1,500	1,545

**Notes to the financial statements for the year ended 30 September 2013**
**7 Employees and directors**

	2013	2012
	£	£
<b>Staff costs during the year:</b>		
Wages and salaries	484,276	633,636
Social security costs	47,467	61,266
Other pension costs (note 20)	25,074	27,651
Share based payment costs (note 22)	4,815	8,350
	<b>561,632</b>	<b>730,903</b>
	2013	2012
	Number	Number
<b>Average monthly number of persons employed (including directors) during the year by activity:</b>		
Administration	1	1
Research	15	19
	<b>16</b>	<b>20</b>

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 expense**

	2013	2012
	£	£
<b>Income tax expense</b>	-	-

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 expense (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	(139,971)	(760,790)
Loss before income tax at the UK standard rate of 23.5% (2012: 25%)	(32,893)	(190,198)
Effects of:		
Expenses not deductible for tax purposes	40,571	23,029
Research and development tax credits	(24,339)	(69,462)
Deferred tax asset not recognised	19,522	239,633
Capital grants not taxable	(2,861)	(3,002)
<b>Income tax expense</b>	-	-

## Factors affecting future tax charges:

During the year, as a result of the changes in the UK main corporation tax rate to 24% that was substantively enacted on 26 March 2012 and to 23% that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2012 and 1 April 2013 respectively, the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget and December 2012 UK Autumn Statement. The proposed reduction in the corporation tax rate, which is expected to be enacted in a future period, proposes to reduce the rate by 2% to 21% by 1 April 2014. This proposed change in the corporation tax rate from 23% to 21% had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements.

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

**9 Intangible assets**

**Computer  
software  
£**

<b>Cost</b>	
At 1 October 2011, 1 October 2012 and <b>at 30 September 2013</b>	<b>8,548</b>
<b>Accumulated amortisation</b>	
At 1 October 2011	2,337
Charge for the year	1,710
At 1 October 2012	4,047
Charge for the year	1,710
<b>At 30 September 2013</b>	<b>5,757</b>
<b>Net book amount</b>	
<b>At 30 September 2013</b>	<b>2,791</b>
At 30 September 2012	4,501

Amortisation is included within administrative expenses in the income statement.

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

## 10 Property, plant and equipment

	Long leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 October 2011	207,961	1,250,779	58,831	1,517,571
Additions	-	7,485	1,721	9,206
At 1 October 2012	207,961	1,258,264	60,552	1,526,777
Additions	-	3,318	-	3,318
<b>At 30 September 2013</b>	<b>207,961</b>	<b>1,261,582</b>	<b>60,552</b>	<b>1,530,095</b>
<b>Accumulated depreciation</b>				
At 1 October 2011	201,029	764,536	49,220	1,014,785
Charge for the year	6,932	99,110	4,051	110,093
At 1 October 2012	207,961	863,646	53,271	1,124,878
Charge for the year	-	95,974	3,453	99,427
<b>At 30 September 2013</b>	<b>207,961</b>	<b>959,620</b>	<b>56,724</b>	<b>1,224,305</b>
<b>Net book amount</b>				
<b>At 30 September 2013</b>	<b>-</b>	<b>301,962</b>	<b>3,828</b>	<b>305,790</b>
At 30 September 2012	-	394,618	7,281	401,899

Depreciation is included within administrative expenses in the income statement.

Borrowings are secured against the above assets (note 13).

## 11 Trade and other receivables

	2013 £	2012 £
Trade receivables	104,258	101,804
Less: provision for impairment of trade receivables	(9,758)	(4,534)
Trade receivables (net)	94,500	97,270
Amounts owed by related parties	4,042	5,714
Prepayments and accrued income	76,468	57,133
	<b>175,010</b>	<b>160,117</b>

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

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

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

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

	2013	2012
	£	£
<b>Currency</b>		
UK pound	113,811	116,847
US dollar	36,101	14,490
Euro	22,108	28,780
Swiss franc	2,990	-
	<b>175,010</b>	<b>160,117</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 2013 was £9,758 (2012: £4,534). 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:

	2013	2012
	£	£
At the beginning of the financial year	4,534	22,821
Exchange Adjustment	(28)	-
Provision for receivables impairment	5,252	-
Receivables written off during the year as uncollectable	-	(18,287)
<b>At the end of the financial year</b>	<b>9,758</b>	<b>4,534</b>

As of 30 September 2013, trade receivables of £3,745 (2012: £17,865) were past due but not impaired. These and the other trade receivables 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:

	2013	2012
	£	£
Up to 2 months overdue	1,570	11,347
More than 2 months overdue	2,175	6,518
	<b>3,745</b>	<b>17,865</b>

None of these trade receivables have had their terms renegotiated.

The creation and release of provision for impaired receivables have been included in Administration expenses in the Income Statement.

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

**12 Cash and cash equivalents**

	2013	2012
	£	£
Cash at bank and in hand	67,146	150,006

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

## 13 Borrowings

	2013	2012
Current	£	£
Other loans (a)	-	5,000
Amounts owed to related parties	1,999,719	1,789,719
	1,999,719	1,794,719

(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.

Amounts owed to related parties are unsecured, interest free and have no set date of repayment.

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 "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 and loss or derivatives used for hedging.

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

**Maturity of financial liabilities**

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

The amounts included in the table below are the contractual undiscounted cash flows of current and non-current borrowings:

	Amounts owed to related parties		Other loans	
	2013	2012	2013	2012
	£	£	£	£
Less than one year	1,999,719	1,789,719	-	5,083



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

**14 Trade and other payables**

	2013	2012
	£	£
Trade payables	32,782	29,073
Amounts owed to related parties	3,327,512	3,519,360
Other tax and social security	33,393	13,425
Other creditors	8,066	8,381
Accruals	95,917	119,168
	<b>3,497,670</b>	<b>3,689,407</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. 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 and loss or derivatives used for hedging.

**15 Other non-current liabilities**

	2013	2012
	£	£
Accruals	13,937	40,841

**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	8,911	25,153
In more than two years but not more than five years	5,026	15,688
	<b>13,937</b>	<b>40,841</b>

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

**16 Deferred income tax**

The analysis of deferred income tax is as follows:

	2013	2012
	£	£
<b>Deferred tax asset not recognised</b>		
Tax losses	1,543,465	1,754,787
Accelerated capital allowances	-	108,082
Other temporary differences	114,678	16,017
	<b>1,658,143</b>	<b>1,878,886</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. This potential deferred tax asset will be recognised when it can be regarded as more likely than not that there will be sufficient taxable profits from which the tax losses and other temporary differences can be deducted.

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

17 Deferred income

Government grants	£
At 1 October 2011	72,044
Released to the income statement	(12,009)
At 1 October 2012	60,035
Released to the income statement	(12,174)
At 30 September 2013	47,861

18 Share capital

	2013 £	2012 £
<b>Authorised</b>		
30,720,500 (2012: 30,720,500) ordinary shares of £0.05 (2012: £0.05) each	1,536,025	1,536,025
<b>Allotted and fully paid</b>		
20,720,500 (2012: 20,720,500) ordinary shares of £0.05 (2012: £0.05) each	1,036,025	1,036,025

19 Cash used in operations

	2013 £	2012 £
Loss before income tax	(139,971)	(760,790)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	99,427	110,093
Amortisation of intangible assets	1,710	1,710
Release of capital grant	(12,174)	(12,009)
Finance costs	195	1,057
Finance income	-	(31)
Increase in trade and other receivables	(14,893)	(63,529)
Decrease/(increase) in trade and other payables	(218,641)	227,574
<b>Net cash used in operations</b>	<b>(284,347)</b>	<b>(495,925)</b>

**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:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Defined contribution scheme	<b>25,074</b>	<b>27,651</b>

Amounts owed to the pension scheme as at 30 September 2013 totalled £4,604 (2012: £5,066).

**21 Operating lease commitments - minimum lease payments**

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

	<b>Fixtures and fittings</b>		<b>Buildings</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
No later than one year	<b>1,324</b>	1,228	<b>82,668</b>	82,670
Later than one year and no later than five years	<b>772</b>	1,842	-	82,670
	<b>2,096</b>	3,070	<b>82,668</b>	165,340

**22 Share based payments**

The company operates a phantom share scheme whereby share awards are granted to directors and senior management employees. The share award is granted for £nil consideration, and is conditional on the director or employee continuing in employment for a period of three years from the date the 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**
**22 Share based payments (continued)**

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

<b>Grant date</b>	<b>September 2013</b>	<b>September 2012</b>
Share price at grant date	<b>£0.551</b>	£0.606
Exercise price at grant date	-	-
Number of employees	<b>1</b>	2
Share awards	<b>10,667</b>	37,415
Vesting period (years)	<b>4</b>	4
Option life (years)	<b>4</b>	4
Expected life (years)	<b>4</b>	4
Dividend yield	<b>Nil</b>	Nil
Risk free interest rate	<b>5.0%</b>	5.0%
Fair value	<b>£0.551</b>	£0.606

The weighted average 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:

	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
Outstanding at the beginning of the financial year	<b>112,277</b>	117,278
Granted	<b>10,667</b>	37,415
Transferred	<b>(36,591)</b>	-
Exercised	<b>(38,388)</b>	(42,416)
Outstanding at the end of the financial year	<b>47,965</b>	112,277
Exercisable on 1 January	<b>18,351</b>	38,388

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:

	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
2013	-	38,388
2014	<b>18,351</b>	36,474
2015	<b>18,947</b>	37,415
2016	<b>10,667</b>	-
	<b>47,965</b>	112,277

The total expense recognised in the income statement was £4,815 (2012: £8,350). The year end liability is £26,429 (2012: £68,040).

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

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

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
	£	£
Sales to related parties	121,751	65,049
Purchases from related parties	19,947	51,270
Interest payable to related parties	83	1,057
Amount owed by related parties	4,042	5,714
Amounts owed to related parties	5,327,231	5,314,079

Details of amounts owed by and to related parties are disclosed in notes 11, 13 and 14 respectively. Details of interest payable and receivable on balances held with related parties are disclosed in note 5.