

**Almac Sciences (Scotland) Limited**  
**Annual report and financial statements**  
**for the year ended 30 September 2020**



# **Almac Sciences (Scotland) Limited**

## **Annual report and financial statements for the year ended 30 September 2020**

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## Directors and advisers

### Directors

A D Armstrong  
S A Barr  
C Hayburn  
S Campbell  
K Stephens (resigned 2 January 2020)  
N Harkin

### 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 2020

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2020.

### 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 the provision of custom chemical synthesis services.

### Financial risk management

The company operates within the competitive conditions of its marketplace. 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 2.

### Results and dividends

The profit for the financial year attributable to owners of the company is £2,440,904 (2019: £1,917,286). The directors do not recommend payment of a dividend (2019: £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.

### Directors' indemnities

The directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

### Going concern

The directors of Almac Group Limited have prepared cash flow forecasts for a period of at least twelve months from the date of signing of this report and confirm that adequate funding has been committed by Almac Group Limited the company's ultimate parent, to support the company's operations and planned growth over this period. The directors have received confirmation that Almac Group Limited intend to support the company for at least one year after these financial statements are signed. Consequently, the directors have prepared these financial statements on a going concern basis.

### Covid 19

The Covid 19 pandemic has brought disruption to the operations of many businesses including the company. It has also led to an unprecedented level of market volatility and economic uncertainty. These events and conditions have been considered in the preparation of these financial statements, where management has exercised its judgement in the process of applying the company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The carrying amounts of the Company's non-financial and financial assets have been assessed to determine whether there is any objective evidence or indication that these assets may be impaired, taking into consideration the conditions existing at the balance sheet date including the impact of the Covid 19 pandemic. There is no material adverse financial impact arising from the assessments carried out by the management.

As the global Covid 19 situation remains fluid at the date these financial statements were authorised for issue, the company cannot reasonably ascertain the full extent of the probable impact of the Covid 19 disruptions on its operating and financial performance for the financial year ending 30 September 2021.

### Research and development

The company is committed to research and development in the area of drug discovery on behalf of third parties. Research carried out in the year was expensed as incurred. No development expenditure was incurred in the year (2019: £nil).

## Directors' report for the year ended 30 September 2020 (continued)

### 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.

### 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.

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



N Harkin  
Director  
15 January 2021

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

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.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



N Harkin  
Director

15 January 2021

# Almac Sciences (Scotland) Limited

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

### Report on the audit of the financial statements

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#### Opinion

In our opinion, Almac Sciences (Scotland) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2020; the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# Almac Sciences (Scotland) Limited

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

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

  
 Kevin MacAllister (Senior Statutory Auditor)  
 for and on behalf of PricewaterhouseCoopers LLP  
 Chartered Accountants and Statutory Auditors  
 Belfast  
 20 January 2021



## Income statement for the year ended 30 September 2020

	Note	2020 £	2019 £
<b>Continuing operations</b>			
Revenue	4	6,299,143	3,458,612
Cost of sales	6	(2,854,536)	(1,910,550)
Gross profit		3,444,607	1,548,062
Administrative expenses	6	(586,185)	(512,376)
<b>Operating profit</b>		<b>2,858,422</b>	<b>1,035,686</b>
Operating profit as analysed as:			
Operating profit before depreciation and amortisation		3,505,318	1,318,579
Depreciation of property, plant and equipment		(440,627)	(281,463)
Depreciation of right of use asset		(196,936)	-
Amortisation of intangible assets		(9,333)	(1,430)
Finance income	5	50,100	29,345
Finance costs	5	(62,156)	-
<b>Finance (costs)/income – net</b>	5	<b>(12,056)</b>	<b>29,345</b>
<b>Profit before income tax</b>		<b>2,846,366</b>	<b>1,065,031</b>
Income tax (charge)/credit	8	(405,462)	852,255
<b>Profit for the financial year</b>		<b>2,440,904</b>	<b>1,917,286</b>

The notes on pages 11 to 38 are an integral part of these financial statements.

**Statement of comprehensive income for the year ended 30 September 2020**

	2020 £	2019 £
Profit for the financial year	2,440,904	1,917,286
<b>Other comprehensive income</b>		
Tax credit arising on group relief receipts in excess of tax benefit	-	55,681
<b>Total comprehensive income for the year</b>	<b>2,440,904</b>	<b>1,972,967</b>

**Statement of changes in equity for the year ended 30 September 2020**

	Share capital £	Share premium account £	Accumulated losses £	Total equity £
At 1 October 2018	1,036,025	908,869	(4,479,434)	(2,534,540)
Profit for the financial year	-	-	1,917,286	1,917,286
Tax credit arising on group relief receipts in excess of tax benefit	-	-	55,681	55,681
At 30 September 2019 and 1 October 2019	1,036,025	908,869	(2,506,467)	(561,573)
Profit for the financial year	-	-	2,440,904	2,440,904
Arising on adoption of IFRS 16	-	-	(99,945)	(99,945)
<b>At 30 September 2020</b>	<b>1,036,025</b>	<b>908,869</b>	<b>(165,508)</b>	<b>1,779,386</b>


The notes on pages 11 to 38 are an integral part of these financial statements.

## Balance sheet as at 30 September 2020

	Note	2020 £	2019 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	69,427	4,543
Property, plant and equipment	10	3,498,065	3,050,610
Right-of-use-assets	11	1,828,452	-
Deferred tax asset	12	455,210	846,959
<b>Total non-current assets</b>		<b>5,851,154</b>	<b>3,902,112</b>
<b>Current assets</b>			
Trade and other receivables	13	2,491,686	2,351,059
<b>Total current assets</b>		<b>2,491,686</b>	<b>2,351,059</b>
<b>Total assets</b>		<b>8,342,840</b>	<b>6,253,171</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	14	3,530,102	3,349,719
Trade and other payables	15	696,346	2,823,103
<b>Total current liabilities</b>		<b>4,226,448</b>	<b>6,172,822</b>
<b>Non-current liabilities</b>			
Borrowings	14	1,775,598	-
Other non-current liabilities	16	97,617	111,536
Deferred income	17	463,791	530,386
<b>Total non-current liabilities</b>		<b>2,337,006</b>	<b>641,922</b>
<b>Total liabilities</b>		<b>6,563,454</b>	<b>6,814,744</b>
<b>Equity 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		(165,508)	(2,506,467)
<b>Total equity</b>		<b>1,779,386</b>	<b>(561,573)</b>
<b>Total equity and liabilities</b>		<b>8,342,840</b>	<b>6,253,171</b>

The notes on pages 11 to 38 are an integral part of these financial statements.

The financial statements on pages 7 to 38 were authorised for issue by the board of directors on 15 January 2021 and were signed on their behalf by:



A D Armstrong  
Director



S Campbell  
Director

**Cash flow statement for the year ended 30 September 2020**

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	737,920	1,096,220
Interest paid		(129)	-
Taxation recovered		257,545	-
Net cash generated from operating activities		995,336	1,096,220
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(888,082)	(1,683,344)
Interest received		50,100	29,345
Purchase of intangible assets		(74,217)	(1,005)
Net cash used in investing activities		(912,199)	(1,655,004)
<b>Cash flows from financing activities</b>			
Net advances to group undertakings		146,696	558,784
Principal elements of lease payments		(229,833)	-
Net cash (used in)/generated from financing activities		(83,137)	558,784
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		-	-
Cash and cash equivalents at end of the year		-	-

The notes on pages 11 to 38 are an integral part of these financial statements.

**Notes to the financial statements for the year ended 30 September 2020****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 accounting standards in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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

**Going concern**

The directors have prepared cash flow forecasts for a period of at least twelve months from the date of signing of this report and confirm that adequate funding has been committed by Almac Group Limited, the company's ultimate parent, to support the company's operations and planned growth over this period. The directors have received confirmation that Almac Group Limited intend to support the company for at least one year after these financial statements are signed. Consequently, the directors have prepared these financial statements on a going concern basis.

**New standards, amendments and interpretations effective in the year to 30 September 2020**

The accounting policies set out below are those that the company has adopted in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for the year ended 30 September 2020.

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2019:

- IFRS 16 Leases;

The Company has changed its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 October 2019. Further details on this are found below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The Company transitioned to IFRS 16 using the modified retrospective approach as follows:

- the lease liability was measured at 1 October 2019 at the present value of the remaining lease payments based on the incremental borrowing rate over the remaining lease term; and
- the right of use asset was measured at 1 October 2019 as if IFRS 16 had been applied from the inception of the lease but using the incremental borrowing rate as at 1 October 2019.

The difference in these amounts is recognised as an adjustment to retained earnings on 1 October 2019.

On adoption of IFRS 16, the Company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 October 2019 have the definition of a lease per IFRS 16 applied.

In addition, the Company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**1 Accounting policies (continued)**
**New standards, amendments and interpretations effective in the year to 30 September 2020 (continued)**

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The Company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining;
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Where an extension option is reasonably certain to be exercised, the payments during that extension period have been taken into account when determining the lease liability.

No adjustments are required on transition to IFRS 16 for leases where the Company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

The Company has revised the presentation of operating leases from 30 September 2019 to include operating leases that have been identified during the transition to IFRS 16 as having previously been omitted from the disclosure of operating lease commitments. This resulted in an increase for the year ended 30 September 2019 from £1,862,498 to £1,929,270.

On transition, £1,554,316 of right-of-use assets and £1,652,715 of lease liabilities were recognised.

	£
Operating lease commitments as originally reported in the financial statements at 30 September 2019	1,862,498
Operating lease commitments omitted in error from the financial statements at 30 September 2019	66,772
Operating lease commitments as restated at 30 September 2019	1,929,270
Gross future lease cashflows under IFRS 16	1,929,270
Operating lease commitments discounted at the incremental borrowing rate	(276,555)
Lease liabilities recognised at 1 October 2019	1,652,715

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average rate applied was 2.1%.

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

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

- IFRS 17 Insurance Contracts (effective 1 January 2021)
- Amendment to IFRS 3 Business Combinations (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8 Definition of material (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)
- Interest Rate Benchmark Reform – phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2021)
- Amendments to IFRS 16, 'leases' – Covid 19 related rent concessions (effective 1 June 2020)
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022)
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (effective 1 January 2022)

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 1 Accounting policies (continued)

#### Intangible assets

##### *Computer software*

The costs of acquiring and bringing computer software into 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.

##### *Computer software*

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.

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

#### Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 expenses 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

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.

**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)****Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication, the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter, any excess is recognised in profit and loss account.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the company include cash and cash equivalents, trade and other receivables, and favourable derivative financial instruments. Financial liabilities of the company include trade and other payables, borrowings and unfavourable derivative financial instruments.

*Initial recognition and measurement*

Financial assets and liabilities are recognised in the statement of financial position when the company becomes a party to the contractual obligations of the instrument.

The company classifies its financial assets in the following measurement categories:

- i) Those to be measured at amortised costs; and
- ii) Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows. The company reclassifies its financial assets when and only when its business model for managing those assets changes.

At initial recognition, the company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial liabilities are classified as financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost or as derivatives.

Financial liabilities are recognised at fair value plus, in the case of financial instruments not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs directly attributable to financial liabilities which are measured at fair value (i.e. fair value through profit and loss or derivatives) are recognised in the income statement as incurred.

*Subsequent measurement*

Subsequent to recognition, financial assets and liabilities are measured according to the category to which they are classified.

**(a) Financial assets**

Subsequent measurement of financial assets depends on the company's business model for managing those financial assets and the cash flow characteristics of those financial assets. The company only has financial assets classified at amortised cost. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss.



**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)****Financial instruments (continued)****(b) Financial liabilities at fair value through profit and loss**

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

**(c) Other financial liabilities**

Trade and other payables and borrowings (including amounts due to related parties) are classified as other financial liabilities and are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method (see below).

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

*Derecognition*

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

*Impairment of a financial asset*

The company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. For other receivables the company applies the three stage model to determine expected credit losses.

**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)****Financial instruments (continued)***Fair value of financial instruments*

Fair value amounts disclosed in these financial statements represent the company's estimate of the price at which a financial instrument could be exchanged in an arm's length market transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the most advantageous active market for that instrument to which the company has immediate access. However, where there is no active market for the company's financial instruments, the company determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. These calculations represent management's best estimates based on a range of methods and assumptions. Since they are based on estimates the fair values may not be realised in an actual sale or immediate settlement of the instruments.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**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 non-current 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.

**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.

**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)****Current and deferred income tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax 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.

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.

**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)****Research and development tax credits**

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

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Revenue is shown net of value-added tax.

The company is engaged in the provision of custom chemical synthesis services. The revenue for these services is recognised over time as the company has the right to receive payment as the services are provided.

The company is also involved in the supply of manufactured goods and the revenue within this stream is recognised at a point in time; being on delivery of the goods to the customer.

**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 currency translation (continued)**

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.

**Leases*****Accounting policy applied until 1 October 2019 (IAS 17)***

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which the economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern on which economic benefits from the leased asset are consumed.

**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)***Accounting policy applied from 1 October 2019 (IFRS 16)**Definition*

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the Company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS 15.

The Almac Sciences (Scotland) Limited Company predominantly engages in leases for land and buildings, fixtures & fittings and computer equipment. The majority of leases for the Company are located in UK.

*Initial recognition and measurement*

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

*Subsequent measurement*

After the commencement date, the Company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

**Notes to the financial statements for the year ended 30 September 2020 (continued)****1 Accounting policies (continued)***Accounting policy applied from 1 October 2019 (IFRS 16) (continued)**Lease modifications*

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Company then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

*Short term leases*

The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

Lease payments on short term leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term lease payments are included in operating expenses in the income statement.

*Sub leases*

If an underlying asset is re-leased by the Company to a third party and the Company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The Company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 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 an employee's termination of their contract.

#### Critical judgements/estimates

There are no critical judgements in applying the company's accounting policies and there are no estimates and assumptions that would have a material impact on the financial statements.

### 2 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:

	2020		2019	
	Impact on post-tax profits £'000	Impact on equity £'000	Impact on post-tax losses £'000	Impact on equity £'000
US dollar weakens by 10% against UK pound	(70)	(70)	(28)	(28)
US dollar strengthens by 10% against UK pound	85	85	34	34

#### (b) Interest rate risk

The company's interest rate risk arises mainly from amounts owed to group undertakings. Borrowings issued at variable rates expose the company to interest rate risk. Company policy is to maintain a mix of interest free advances and loans from group companies and variable interest rate borrowings from related parties. If interest rates had increased/decreased by 1% with all other variables held constant, the financial statements would have been impacted as follows:

	2020		2019	
	Impact on post-tax profits £'000	Impact on equity £'000	Impact on post-tax profits £'000	Impact on equity £'000
Interest rates increase by 1%	19	19	9	9
Interest rates decrease by 1%	(19)	(19)	(9)	(9)

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**2 Financial risk management (continued)**
**(c) 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.

**(d) 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.

**3 Capital risk management**

The company is a subsidiary of Almac Group Limited, whose objectives when managing capital are to safeguard the group and company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. For further details, refer to the report and financial statements for Almac Group Limited.

**4 Revenue**

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

Timing of revenue is as follows:

	2020	2019
	£	£
Point in time	142,845	106,262
Over time	6,156,298	3,352,350
<b>Total</b>	<b>6,299,143</b>	<b>3,458,612</b>

**5 Finance (costs)/income - net**

	2020	2019
	£	£
<b>Interest expense</b>		
Interest payable on related party loans	(129)	-
Interest payable on IFRS 16 Leases	(62,027)	-
Finance costs	(62,156)	-
Interest receivable from group undertakings	50,100	29,345
<b>Finance (costs)/income - net</b>	<b>(12,056)</b>	<b>29,345</b>



**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**6 Expenses by nature**

	2020	2019
	£	£
Raw materials and consumables used	984,986	682,131
Employee benefits expense (note 7)	1,392,609	943,165
Depreciation and amortisation	449,960	282,893
Depreciation on Right of use assets	196,936	-
Operating lease payments	-	117,914
Transfer from capital grant reserve (note 17)	(66,595)	(66,015)
Revenue grants	(227,000)	(61,000)
Other expenses*	709,825	523,838
<b>Total cost of sales and administrative expenses</b>	<b>3,440,721</b>	<b>2,422,926</b>

\*Other expenses of £709,825 (2019: £523,838) are stated after the deduction of £287,594 (2019: £188,804) of research and development tax credits.

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

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

	2020	2019
	£	£
Fees payable to the company's auditors for the audit of the financial statements	3,491	3,837
Fees payable to company's auditors for other services:		
- tax services	1,500	1,000
- other services	950	950

**7 Employees and directors**

	2020	2019
	£	£
<b>Staff costs during the year:</b>		
Wages and salaries	1,222,495	818,866
Social security costs	109,632	76,634
Other pension costs (note 20)	51,217	37,423
Share based payment costs (note 24)	9,265	10,242
	<b>1,392,609</b>	<b>943,165</b>

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**7 Employees and directors (continued)**

	2020 Number	2019 Number
<b>Average monthly number of persons employed (including directors) during the year by activity:</b>		
Administration	1	1
Research	36	25
	37	26

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

No directors (2019: nil) have retirement benefits accruing under a defined contribution plan nor were remunerated during the year (2019: £nil). Directors' remuneration is borne by other group companies. The directors do not believe it is practicable to apportion this amount between their services as directors of the company and their services as directors of fellow group undertakings. Directors' remuneration is disclosed for the group in Almac Group Limited financial statements.

**8 Income tax (charge)/credit**

	2020 £	2019 £
<b>Current tax</b>		
Current tax on profits for the year	(6,758)	(13,061)
Total current tax	(6,758)	(13,061)
<b>Deferred tax</b>		
Origination and reversal of timing differences	531,640	(839,194)
Adjustments in respect of prior periods	(16,362)	-
Effect of changes in tax rates	(103,058)	-
Total deferred tax	412,220	(839,194)
<b>Income tax charge/(credit)</b>	<b>405,462</b>	<b>(852,255)</b>

The tax on the company's profit before tax differs from (2019: differs from) the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	2020 £	2019 £
Profit before income tax	2,846,366	1,065,031
Profit before income tax at the UK standard rate of 19% (2019: 19%)	540,810	202,356
Effects of:		
Expenses not deductible for tax purposes	13,000	31,312
Adjustment in respect of prior periods	(16,362)	-
Utilisation of losses for which a deferred tax asset was not previously recognised	-	(215,549)
Recognition of a deferred tax asset for losses that was not recognised previously	-	(839,194)
Tax rate changes	(103,058)	-
Capital grants release not taxable	(12,653)	(12,543)
Transfer pricing adjustment	(16,275)	(18,637)
<b>Income tax charge/(credit)</b>	<b>405,462</b>	<b>(852,255)</b>

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**9 Intangible assets**

	<b>Computer software £</b>
<b>Cost</b>	
At 1 October 2018	15,342
Additions	1,005
At 30 September 2019 and 1 October 2019	16,347
Additions	74,217
<b>At 30 September 2020</b>	<b>90,564</b>
<b>Accumulated amortisation</b>	
At 1 October 2018	10,374
Charge for the year	1,430
At 30 September 2019 and 1 October 2019	11,804
Charge for the year	9,333
<b>At 30 September 2020</b>	<b>21,137</b>
<b>Net book amount</b>	
<b>At 30 September 2020</b>	<b>69,427</b>
At 30 September 2019	4,543
At 30 September 2018	4,968

Amortisation is included within administrative expenses in the income statement.

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**10 Property, plant and equipment**

	Long leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 October 2018	207,961	3,351,398	90,527	3,649,886
Additions	-	1,650,612	32,732	1,683,344
At 30 September 2019 and 1 October 2019	207,961	5,002,010	123,259	5,333,230
Additions	-	835,599	52,483	888,082
<b>At 30 September 2020</b>	<b>207,961</b>	<b>5,837,609</b>	<b>175,742</b>	<b>6,221,312</b>
<b>Accumulated depreciation</b>				
At 1 October 2018	207,961	1,718,084	75,112	2,001,157
Charge for the year	-	273,581	7,882	281,463
At 30 September 2019 and 1 October 2019	207,961	1,991,665	82,994	2,282,620
Charge for the year	-	425,197	15,430	440,627
<b>At 30 September 2020</b>	<b>207,961</b>	<b>2,416,862</b>	<b>98,424</b>	<b>2,723,247</b>
<b>Net book amount</b>				
<b>At 30 September 2020</b>	<b>-</b>	<b>3,420,747</b>	<b>77,318</b>	<b>3,498,065</b>
At 30 September 2019	-	3,010,345	40,265	3,050,610
At 30 September 2018	-	1,633,314	15,415	1,648,729

Depreciation is included within administrative expenses in the income statement.

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**11 Rights of use assets**

	Freehold land and buildings £	Fixtures, fittings and computer equipment £	Total £
<b>Cost</b>			
At 1 October 2019	-	-	-
IFRS 16 Adjustment	1,550,207	4,109	1,554,316
Additions	471,072	-	471,072
<b>At 30 September 2020</b>	<b>2,021,279</b>	<b>4,109</b>	<b>2,025,388</b>
<b>Accumulated depreciation</b>			
At 01 October 2019	-	-	-
Charge for Year	195,771	1,165	196,936
<b>At 30 September 2020</b>	<b>195,771</b>	<b>1,165</b>	<b>196,936</b>
<b>Net book value</b>			
<b>At 30 September 2020</b>	<b>1,825,508</b>	<b>2,944</b>	<b>1,828,452</b>
At 30 September 2019	-	-	-

The total cash outflow for leases in 2020 was £229,833.

**12 Deferred tax asset**

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

	2020 £	2019 £
At 1 October	846,959	7,765
(Charged)/credited to the income statement	(412,220)	839,194
Adjustment in respect to IFRS 16 to equity	20,471	-
<b>At 30 September</b>	<b>455,210</b>	<b>846,959</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Other temporary differences £	Total £
<b>Deferred tax assets</b>		
At 1 October 2018	7,765	7,765
Credited to the income statement	839,194	839,194
At 1 October 2019	846,959	846,959
(Charged)/credited to the income statement	(412,220)	(412,220)
Adjustment in respect to IFRS 16 to equity	20,471	20,471
<b>At 30 September 2020</b>	<b>455,210</b>	<b>455,210</b>

## Notes to the financial statements for the year ended 30 September 2020 (continued)

## 12 Deferred tax asset (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020	2019
	£	£
Deferred tax assets		
- to be received after more than 12 months	455,210	846,959
<b>Deferred tax assets</b>	<b>455,210</b>	<b>846,959</b>

	2020	2019
	£	£
<b>Deferred tax assets recognised</b>		
Tax losses	284,579	789,305
Fixed assets	137,555	25,714
Other temporary differences	25,289	31,940
R&D expenditure credit	7,787	-
<b>Total</b>	<b>455,210</b>	<b>846,959</b>

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**13 Trade and other receivables**

	2020	2019
	£	£
Trade receivables	803,312	489,604
Less: provision for impairment of trade receivables	(13,362)	(13,605)
Trade receivables (net)	789,950	475,999
Amounts owed by group undertakings (note 25)	1,254,428	1,401,124
Group relief receivable (note 25)	294,374	257,546
Other receivables	965	39,050
Prepayments and accrued income	151,969	177,340
	<b>2,491,686</b>	<b>2,351,059</b>

The fair values of trade and other receivables are not materially different from the carrying values. For the purposes of IFRS 9 “Financial instruments” all of the company’s trade and other receivables are classified as measured at amortised cost.

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

	2020	2019
	£	£
<b>Currency</b>		
UK pound	1,911,674	2,055,343
US dollar	569,346	271,992
Euro	10,666	23,724
	<b>2,491,686</b>	<b>2,351,059</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 2020 was £13,362 (2019: £13,605).

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

	2020	2019
	£	£
At the beginning of the financial year	13,605	14,269
Exchange adjustment	(243)	367
Unused amounts reversed	-	(1,031)
<b>At the end of the financial year</b>	<b>13,362</b>	<b>13,605</b>

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**13 Trade and other receivables (continued)**

The creation and release of provision for impaired receivables have been included in administration expenses in the income statement.

The company has recognised the following assets relating to contracts with customers (these are all included with accrued income):

	2020	2019
	£	£
Contract assets recognised at start of the period	38,627	62,193
Revenue recognised in prior periods that was invoiced in the current period	(38,627)	(62,193)
Amounts recognised in revenue in the current period that will be invoiced in future periods	28,540	38,627
<b>Balance at the end of the period</b>	<b>28,540</b>	<b>38,627</b>

Contract assets are expected to be invoiced in the year to 30 September 2021

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 30 September 2020 was deemed to be not materially different to that provision carried under IAS 39. The default rate on receivables is less than 1%.

The company applies the practical expedient in IFRS 9 (which allows the company to measure impairment using the 12 month Expected Credit Loss model) in respect of amounts owed by group undertakings, for those balances that meet the following requirements:

- it has a low risk of default;
- the counterparty is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the counterparty to fulfil its obligations.

For those balances where there is a higher risk of default the company follows the 3-stage approach within IFRS 9 to determine lifetime expected credit losses.



**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**14 Borrowings**

	2020	2019
	£	£
<b>Current</b>		
Amounts owed to group undertakings (note 25)	3,349,719	3,349,719
Lease liabilities arising from IFRS 16	180,383	-
	<b>3,530,102</b>	<b>3,349,719</b>
<b>Non-current</b>		
	£	£
Lease liabilities arising from IFRS 16	1,775,598	-
<b>Total borrowings</b>	<b>5,305,700</b>	<b>3,349,719</b>

Amounts owed to group undertakings 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 9 "Financial instruments" the financial liabilities noted above are classified as measured at amortised cost.

**Maturity of financial liabilities**

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

	2020	2019
	%	%
Borrowings	2.66	3.24

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

	Lease liabilities	Total
	£	2020
		£
In more than 1 year but not more than 2 years	251,866	251,866
In more than 2 years but not more than 5 years	754,457	754,457
In more than 5 years	995,507	995,507
	<b>2,001,830</b>	<b>2,001,830</b>

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**14 Borrowings (continued)**

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

	Lease liabilities £	Total 2020 £
Less than 1	241,034	241,034
In more than 1 year but not more than 2 years	251,866	251,866
In more than 2 years but not more than 5 years	754,457	754,457
In more than 5 years	995,507	995,507
	2,242,864	2,242,864

**15 Trade and other payables**

	2020 £	2019 £
Trade payables	105,519	60,740
Amounts owed to group undertakings (note 25)	225,226	2,202,032
Other tax and social security	32,932	20,918
Other creditors	13,652	9,385
Accruals and deferred income	319,017	530,028
	696,346	2,823,103

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 9 "Financial instruments" the financial liabilities noted above are classified as measured at amortised cost.

The company has recognised the following liabilities relating to contracts with customers (these are all included with deferred income):

	2020 £	2019 £
Contract liabilities recognised at start of the period	(45,841)	(84,811)
Amounts invoiced in prior periods recognised as revenue in the current period	45,841	84,811
Amounts invoiced in the current period which will be recognised as revenue in later periods	(32,439)	(45,841)
<b>Balance at the end of the period</b>	<b>(32,439)</b>	<b>(45,841)</b>

Contract liabilities are expected to be recognised as revenue within 12 months of the period end.

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**16 Other non-current liabilities**

	2020	2019
	£	£
Accruals and deferred income	97,617	111,536

**Maturity of other non-current liabilities**

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

	2020	2019
	£	£
In more than one year but not more than two years	33,458	30,612
In more than two years but not more than five years	53,579	59,782
More than five year	10,580	21,142
	97,617	111,536

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

**17 Deferred income**

<b>Government grants</b>	<b>£</b>
At 1 October 2018	596,401
Grants received	-
Released to the income statement	(66,015)
At 30 September 2019 and 1 October 2019	530,386
Grants received	-
Released to the income statement	(66,595)
At 30 September 2020	463,791

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**18 Share capital**

	2020	2019
	£	£
<b>Allotted and fully paid</b>		
20,720,500 (2019: 20,720,500) ordinary shares of £0.05 (2019: £0.05) each	1,036,025	1,036,025

**19 Cash generated from operations**
**Cash generated from operations**

	2020	2019
	£	£
Profit before income tax	2,846,366	1,065,031
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	440,627	281,463
Depreciation of right of use assets	196,936	-
Amortisation of intangible assets	9,333	1,430
Release of capital grant	(66,595)	(66,015)
Finance income	(50,100)	(29,345)
Finance cost	62,156	-
Movement in trade and other receivables	(538,110)	(508,604)
Movement in trade and other payables	(2,162,693)	352,260
<b>Net cash generated from operations</b>	<b>737,920</b>	<b>1,096,220</b>

**Net debt as at 30 September 2020**

	Related parties £	Leases £	Subtotal £	Cash £	Total £
Net debt as at 1 October 2018	(861,427)	-	(861,427)	31	(861,396)
Cash flows	558,784	-	558,784	(31)	558,753
Tax	(1,098,481)	-	(1,098,481)	-	(1,098,481)
<b>Net debt as at 30 September 2019</b>	<b>(1,401,124)</b>	<b>-</b>	<b>(1,401,124)</b>	<b>-</b>	<b>(1,401,124)</b>
Recognised on adoption of IFRS 16	-	(1,652,715)	(1,652,715)	-	(1,652,715)
Cash flows	146,696	229,833	376,529	-	376,529
Acquisitions - leases	-	(471,072)	(471,072)	-	(471,072)
Other changes	-	(62,027)	(62,027)	-	(62,027)
<b>Net debt as at 30 September 2020</b>	<b>(1,254,428)</b>	<b>(1,955,981)</b>	<b>(3,210,409)</b>	<b>-</b>	<b>(3,210,409)</b>

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**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:

	2020	2019
	£	£
Defined contribution scheme	51,217	37,423

Amounts owed to the pension scheme as at 30 September 2020 totalled £11,294 (2019: £8,740).

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

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

	Fixtures and Fittings 2019 (Restated) £	Buildings 2019 (Restated) £	Total 2019 (Restated) £
Within one year	3,829	144,698	148,527
Later than one year and no later than five years	591	858,070	858,661
Later than one year and no later than five years	-	922,082	922,082
	4,420	1,924,850	1,929,270

Operating lease commitments as at 30 September 2019 were £1,862,498, there were amounts totalling £66,772 omitted from this disclosure, this was noted as part of the transition to IFRS 16. In 2020 the balance has been restated to £1,929,270 as shown above.

**22 Capital and other financial commitments**

	2020	2019
	£	£
Contracts placed for future property, plant and equipment expenditure not provided in the financial statements	117,228	249,826

**23 Contingent liabilities**

There exists a contingent liability to repay certain capital and revenue grants received from Invest Northern Ireland (formerly the Industrial Development Board) if future employment levels fall below specified levels. The directors do not anticipate any repayment falling due under the terms on which the grants were received.

The company is party to an unlimited intercompany cross guarantee in relation to group banking facilities in the United Kingdom.

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**24 Share based payments**

The company operates a phantom share scheme whereby share awards are granted to directors and senior management employees. The share award is granted for £nil consideration, and is conditional on the director or employee continuing in employment for a period of three years from the date 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 1 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.

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

<b>Grant date</b>	<b>2020</b>	<b>2019</b>
Share price at grant date	<b>£1.023</b>	£0.905
Exercise price at grant date	-	-
Number of employees	<b>1</b>	1
Share awards	<b>6,396</b>	7,020
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>£1.023</b>	£0.905

\*The vesting period is four years which is made up of the three years from the date of issue plus the year of service incurred in order to be eligible for the award.

The weighted average fair value of share awards granted during the year determined using the Black-Scholes valuation model was £1.023 (2019: £0.905). 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.

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**24 Share based payments (continued)**

Movements in the number of share awards outstanding are as follows:

	2020 Number	2019 Number
Outstanding at the beginning of the financial year	21,702	23,834
Granted	6,396	7,020
Exercised	(7,897)	(9,152)
Outstanding at the end of the financial year	20,201	21,702
Exercisable on 1 January 2021/2020	-	7,897

The weighted average share price of share awards exercised in the year was £1.023 (2019: £0.905).

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

	2020 Number	2019 Number
2020	-	7,897
2021	6,785	6,785
2022	7,020	7,020
2023	6,396	-
	20,201	21,702

The total expense recognised in the income statement was £9,265 (2019: £10,242). The year-end liability is £24,598 (2019: £23,140).

**Notes to the financial statements for the year ended 30 September 2020 (continued)**
**25 Ultimate controlling party and related party transactions**

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

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

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

Companies within Almac Group Limited are related parties of Almac Sciences (Scotland) Limited.

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

	2020	2019
	£	£
Sales to group undertakings	(513,466)	450,909
Purchases from group undertakings	(90,069)	(24,570)
Management charge paid	(224,222)	(186,946)
Interest receivable from group undertakings	50,100	29,345
Interest payable to group undertakings	129	-
Amounts owed to group undertakings	(3,574,945)	(5,551,751)
Amounts owed by group undertakings	1,254,428	1,401,124
Group relief receivable	294,374	257,546

Details of amounts owed by and to group undertakings are disclosed in notes 13, 14 and 15 respectively. Details of interest payable and receivable on balances held with group undertakings are disclosed in note 5.