

CXR Biosciences Limited
Annual report and unaudited financial statements
for the year ended 31 December 2018

Registered number: SC211745



CXR Biosciences Limited

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CXR Biosciences Limited

Company information

The board of directors	P McCluskey M Hanson M Carnegie-Brown
Registered office	2 James Lindsay Place Dundee Technopole Dundee DD1 5JJ
Bankers	Lloyds Bank plc 8 th Floor 40 Spring Gardens Manchester M2 1EN

CXR Biosciences Limited

Strategic report

The Directors, in preparing this strategic report, have complied with s414(c) of the Companies Act 2006.

Principal activities

The principal activities of CXR Biosciences Limited (the “Company”) during the prior year, until the end of September 2017, were the provision of agrochemicals, pharmaceutical and chemical safety research services, research into new drug technology, and research into the development of new drugs. On 1 October 2017, the Company’s trade and assets were transferred to Concept Life Sciences Integrated Discovery & Development Services Limited. The Company has not traded since this date. Concept Life Sciences Integrated Discovery & Development Services Limited, is a trading subsidiary of Spectris plc the ultimate controlling party.

Business environment

Prior to the hive up, the Company provided pre-clinical services principally to the pharmaceutical and biotech, agrochemical and chemical industries. The Company specialised in investigative toxicology, exploratory and discovery toxicology, metabolism and pharmacokinetics. There has been no trade in the company since 1 October 2017.

Principal risks and uncertainties

The principal risks and uncertainties impacting the Company prior to the hive up of its trade and assets were:

Legislative risk

The pharmaceuticals and agrochemical sectors are subject to a high level of regulatory change and requirements which need to be monitored to ensure services are fully compliant. This was mitigated by rigorous monitoring and compliance procedures.

Competitive risks

Customers outsourcing pre-clinical contract research could develop their own in-house capabilities. This risk was mitigated by providing a cost-effective problem-solving solution to add value for customers. The expertise of the scientific and research teams was a significant factor in retaining customers.

Financial instruments risk

The Company was exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The Company managed these risks by financing its operations through retained profits, supplemented by funding provided by its parent undertaking where needed.

The management objectives were to retain sufficient liquid funds to enable the Company to meet its day to day requirements, with sufficient future cash flows expected to arise from the Company's trading activities.

The Company made little use of financial instruments other than an operational bank account and forward foreign currency contracts, and so its exposure to price risk, liquidity risk and cash flow risk was not material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

CXR Biosciences Limited

Strategic report (continued)

Financial instruments risk (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss to another party by failing to discharge an obligation. The Company assessed the risk of contracting with each customer and set credit limits which were carefully monitored. If a significant risk was identified, credit facilities were withdrawn and transactions were carried out on a cash basis. If a key customer was significantly affected by a difficult trading environment this would have had a short-term impact on the Company.

The Company used forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material receipts and payments in a foreign currency. Derivative financial instruments were not used for speculative purposes

Now the Company is non-trading the Directors consider the risks to be limited to managing investments and intercompany.

Business performance

The Company has not traded since the trade and assets of CXR Biosciences Limited were hived up into Concept Life Sciences Integrated Discovery & Development Services Limited in October 2017.

Future developments

Post the hive up of the entire trade and assets of CXR Biosciences Limited into Concept Life Sciences Integrated Discovery & Development Services Limited, the Company is now non trading and the Directors expect that CXR Biosciences Limited will remain so.

Approval

Approved by the Board and signed on its behalf by:



M Hanson

Director

19 September 2019

CXR Biosciences Limited

Directors' report

The Directors' present their report and the unaudited financial statements of the Company for the year ended 31 December 2018.

Results and dividends

The results for the year ended 31 December 2018 and financial position of the Company are as shown in the profit and loss account and balance sheet. The Directors do not recommend the payment of a dividend (2017: £nil).

Research and development

The Company's primary activities prior to the hive up of its trade in October 2017, resulted in the undertaking of research and development on behalf of its customer base. During this period the Company also engaged in internal research and development by developing its service offerings for customers.

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

Change of ownership

On 25 January 2018, Spectris plc, a company listed on the London Stock Exchange, acquired 100% of the share capital of Concept Life Sciences (Holdings) Limited, the ultimate parent company of CXR Biosciences Limited. The Concept Group acquisition was made on a debt and cash-free basis and therefore the external borrowings which included the bank loan and loan notes were fully paid down.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors

The Directors, who served throughout the year and thereafter, except as noted, were as follows:

MJ Fort	(resigned 31 August 2018)
P McCluskey	
M Ballantyne	(resigned 28 February 2018)
J Handley	(resigned 10 September 2019)
M Hanson	(appointed 5 August 2019)
M Carnegie-Brown	(appointed 5 August 2019)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Approved by the Board and signed on its behalf by:



M Hanson
Director
19 September 2019

CXR Biosciences Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

CXR Biosciences Limited

Profit and Loss Account

For the year ended 31 December 2018

		Year ended 31 December 2018 £	Year ended 31 December 2017 £
	Note		
Revenue	2	-	3,795,259
Cost of sales		-	(1,300,403)
Gross profit		-	2,494,856
Administrative expenses		-	(1,426,881)
Administrative expenses excluding exceptional items		-	(1,207,005)
Exceptional items	4	-	(219,876)
Operating profit	4	-	1,067,975
Interest payable and similar charges	3	-	(22,377)
Profit on ordinary activities before taxation		-	1,045,598
Tax on profit on ordinary activities	7	-	(142,679)
Profit for the financial year		-	902,919

There were no items of other comprehensive income in the current or prior year, other than the profits shown above. No separate statement of total comprehensive income has therefore been presented.

CXR Biosciences Limited

Statement of Changes in Equity For the year ended 31 December 2018

	Called-up share capital £	Share premium £	Profit and loss account £	Total equity £
As at 31 December 2016	32,520	5,455,793	(1,042,648)	4,445,665
Total comprehensive income for the year	-	-	902,919	902,919
As at 31 December 2017 and 31 December 2018	<u>32,520</u>	<u>5,455,793</u>	<u>(139,729)</u>	<u>5,348,584</u>

CXR Biosciences Limited

Balance Sheet

As at 31 December 2018

	Note	As at 31 December 2018 £	As at 31 December 2017 £
Current assets			
Debtors	8	5,348,584	5,348,584
Net assets		<u>5,348,584</u>	<u>5,348,584</u>
Capital and reserves			
Called-up share capital	9	32,520	32,520
Share premium account		5,455,793	5,455,793
Profit and loss account		(139,729)	(139,729)
Shareholders' funds		<u>5,348,584</u>	<u>5,348,584</u>

Registered number: SC211745

For the year ending 31 December 2018, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of CXR Biosciences Limited were approved by the board of directors and authorised for issue on 19 September 2019. They were signed on its behalf by:



M Hanson

Director

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

CXR Biosciences Limited (the “Company”) is a company incorporated and domiciled in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Spectris plc includes the Company in its consolidated financial statements. The consolidated financial statements of Spectris plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and are available to the public as set out in note 10.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of the compensation of Key Management Personnel
- Disclosure in respect of capital management
- The effect of new but not yet effective IFRSs

As the consolidated financial statements of Spectris plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 share-based payments in respect of group settled share-based payments;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments Disclosures.

The accounting policies set out below have, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

These financial statements are presented in pounds sterling.

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected

The Company’s business activities, together with the factors likely to affect its future development, position and strategy, are set out in the Strategic report on pages 4 and 5.

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

Basis of preparation (continued)

The Company has not traded during the current period. The Directors do not expect that this position will change in the foreseeable future. The Directors expect to be able to operate within the level of its current resources to meet current obligations. Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow into the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

The accounting for this revenue depends on whether the outcome of a transaction can be reliably measured or not:

- If the outcome of a transaction involving the rendering of services can be reliably measured, the revenue associated with the transaction will be recognised by reference to the stage of completion (percentage of completion method). As a result, the revenue for all transactions which can be estimated on a reliable basis corresponds to the revenue agreed in the contract, adjusted by the stage of completion of the work performed.
- If the outcome of a transaction involving the rendering of services cannot be measured reliably, revenue will only be recognised to the extent of the incurred expenses as long as they are deemed to be recoverable.

Expected losses are recognised when it is probable that total contract costs will exceed total contract revenue. The expected loss is recognised as an expense immediately.

The stage of completion of an analysis or piece of research work is determined by the services performed to date as a percentage of the total analysis or research work to be performed.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and are transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the technical and commercial feasibility of the project has been demonstrated, the future economic benefits are probable, the Company has an intention and ability to complete and use or sell the asset and the costs can be measured reliably. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit. Provision is made for any impairment.

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

Taxation

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in respect of the initial recognition of assets and liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Pension costs

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and re-measured at each period end. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss account. The Company has elected not to apply hedge accounting.

Forward foreign currency contracts are recognised at fair value in the Balance Sheet with movements in fair value recognised in the profit and loss account for the period. The fair value of forward foreign currency contracts is the gain or loss that would result if the agreements were terminated at the reporting date, taking into account current foreign currency rates. Forward foreign currency contracts are classified within debtors or creditors as appropriate.

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

Trade and other debtors

Trade debtors are recognised at amortised cost less impairment losses. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade debtor is impaired. The movement in the provision is recognised in the profit and loss account.

Interest payable and similar charges

Interest payable and similar charges comprise interest payable on obligations under finance leases. Interest payable and similar charges are recognised in the profit and loss account on an effective interest method.

Interest receivable and similar income

Interest receivable and similar income comprise interest receivable on funds invested. Interest receivable is recognised in the profit and loss account on an effective interest method.

Exceptional items

Exceptional items are those items that are unusual because of their size, nature or incidence, or that the Directors consider should be disclosed separately to enable a full understanding of the Company's results. Exceptional items have been presented separately on the face of the profit and loss account. The Directors consider that this presentation gives a fairer presentation of the results of the Company.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Directors do not consider that there are any areas of judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

2. Revenue

The revenue is attributable to the one principal activity of the Company.

An analysis of revenue is given below:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
United Kingdom	-	940,100
Rest of the World	-	2,855,159
	<hr/>	<hr/>
	-	3,795,259
	<hr/>	<hr/>

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

3. Interest payable and similar charges

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Finance leases and hire purchase contracts	-	22,377

4. Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Depreciation of tangible fixed assets:		
- owned	-	81,310
- held under finance leases and hire purchase contracts	-	130,111
Operating lease rentals:		
- land and buildings	-	130,164
- plant and machinery	-	2,166
Auditors remuneration – audit services	-	9,500
Foreign exchange gains	-	(3,450)
Exceptional items	-	219,876

Exceptional items relate to restructuring costs incurred in the prior year.

5. Staff costs

The average monthly number of employees up to the date of employee transfer (including executive directors) was:

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Operational	-	28
Sales	-	4
Administration	-	6
	-	38

CXR Biosciences Limited

Notes to the financial statements For the year ended 31 December 2018

5. Staff costs (continued)

Their aggregate remuneration comprised:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Wages and salaries	-	1,061,180
Social security costs	-	133,591
Pension costs	-	76,954
	<u>-</u>	<u>1,271,725</u>

6. Directors' remuneration and transactions

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Directors' remuneration		
Emoluments	-	71,491
Company contributions to money purchase pension schemes	-	3,375
	<u>-</u>	<u>74,866</u>

During the year, retirement benefits were accruing to nil (2017: 1) directors in respect of money purchase pension schemes.

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

7. Tax on profit on ordinary activities

The tax charge comprises:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax		
UK corporation tax – current year	-	28,702
Adjustment in respect of prior period	-	172,065
Total current tax	-	200,767
Deferred tax		
Origination and reversal of timing differences	-	(46,862)
Adjustment in respect of prior period	-	(12,474)
Effect of tax rate changes	-	1,248
Total deferred tax	-	(58,088)
Total tax charge on profit on ordinary activities	-	142,679

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Profit on ordinary activities before tax	-	1,045,598
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.3%)	-	202,098
Effects of:		
Adjustments in respect of prior periods	-	159,591
Expenses not deductible for tax purposes	-	41,544
Changes in tax rates	-	1,248
Group relief not paid for	-	(261,802)
Total tax charge for year	-	142,679

CXR Biosciences Limited

Notes to the financial statements

For the year ended 31 December 2018

8. Debtors

	As at 31 December 2018 £	As at 31 December 2017 £
Amounts falling due within one year:		
Amounts owed by group undertakings	5,348,584	5,348,584
	<u>5,348,584</u>	<u>5,348,584</u>

9. Called-up share capital

	As at 31 December 2018 No.	As at 31 December 2018 £	As at 31 December 2017 No.	As at 31 December 2017 £
Ordinary shares of £0.002 each	16,259,860	32,520	16,259,860	32,520
	<u>16,259,860</u>	<u>32,520</u>	<u>16,259,860</u>	<u>32,520</u>

10. Controlling party

At 31 December 2018, Spectris plc, a company listed on the London Stock Exchange was the ultimate controlling party by virtue of its 100% holding in the issued share capital of Concept Life Sciences (Holdings) Limited.

Spectris plc, is the largest and smallest group in which the results of the Company are consolidated. The consolidated accounts of this company may be obtained from Spectris plc, Heritage House, Church Road, Egham, Surrey TW20 9QD.