

Aesica Formulation Development Limited
(formerly R5 Pharmaceuticals Limited)
Annual report and financial statements
for the year ended 31 December 2012

Registered in England Number: 05661235

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**Aesica Formulation Development Limited (formerly R5
Pharmaceuticals Limited)**
**Annual report and financial statements
for the year ended 31 December 2012**
Contents

Directors and advisers	1
Directors' report	2
Independent auditors' report	5
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Directors and advisers

Directors

P Titley

R Hardy

J McConnell

Company secretary

R Tuxford

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

Bankers

Lloyds Banking Group

Black Horse House

91 Sandyford Road

Newcastle upon Tyne

NE1 6EE

Registered office

Q5

Quorum Business Park

Benton Lane

Newcastle upon Tyne

NE12 8BS

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Directors' report for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012

On 16 February 2012 the company changed its name from R5 Pharmaceuticals Limited to Aesica Formulation Development Limited

Business review and principal activities

The company develops and manufactures clinical materials for the pharmaceutical industry

The results for the company show a pre-tax profit of £1,323k for the year (2011 £1,334k), on sales of £5,907k (2011 £5,926k) An interim dividend of £500k (2011 £500k) was paid on the 28th June 2012 The directors do not recommend the payment of a final dividend (2011 £nil)

Research and development

We continue to invest in the development of new products for our customers and process improvements for our existing products

Future outlook

The global commercial environment is expected to remain competitive in the next year, however we remain confident that our business is in a strong position to meet the challenges this will bring

Principal risk and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks and uncertainties affecting the company are considered to relate to competition from other global formulated product manufacturers and development organisations, changes to the regulatory environment and employee retention Further details concerning the company's risk management policies are set out in note 3 to the financial statements

Key performance indicators (KPIs)

The key performance indicator of the company is EBITDA and as disclosed in the "capital risk management" section of note 3 to the financial statements

Directors

The directors of the company serving during the period, and up to the date of this report are shown below

P Titley

R Hardy

J McConnell

J Waterhouse (resigned 11 January 2012)

P Nicholson (resigned 11 January 2012)

I Lafferty (resigned 11 January 2012)

I Hunneyball (resigned 11 January 2012)

N Jones (resigned 11 January 2012)

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Directors' report for the year ended 31 December 2012 (continued)

Employee involvement

The future success of the company is dependent on the skill and commitment of its staff, both full time and part time and it is the policy of the company to develop and maintain employee awareness and involvement in its activities through regular management briefings and the dissemination of relevant information. Particular importance is attached to career development and staff training is available to those who wish to participate through in-house and nationally recognised training courses. The involvement of employees in the company's performance is encouraged, for example through various company performance related pay awards. Employees are further involved through local and national staff councils which meet regularly with senior management.

Equal opportunities

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 and offers appropriate training and career development for disabled staff. If members of staff become disabled, the company continues employment, arranging for redeployment and retraining wherever possible.

Political and charitable donations

During the year the company made £nil (2011 £nil) political or charitable donations.

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed

- As far as they are 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 a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting.

Statement of directors' responsibilities

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

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Directors' report for the year ended 31 December 2012 (continued)

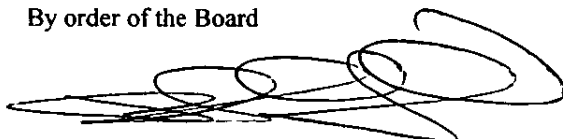
Statement of directors' responsibilities (continued)

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

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

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

By order of the Board



R Tuxford
Company Secretary
27 September 2013

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Independent auditors' report to the members of Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

We have audited the financial statements of Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited) for the year ended 31 December 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Independent auditors' report to the members of Aesica Formulation Development Limited (continued)

Matters on which we are required to report by exception

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

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



Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
27 September 2013

**Aesica Formulation Development Limited (formerly R5
Pharmaceuticals Limited)**

**Statement of comprehensive income for the year ended 31 December
2012**

		2012	2011
Continuing operations	Note	£'000	£'000
Revenue	4	5,907	5,926
Cost of sales		(927)	(934)
Gross profit		4,980	4,992
Administrative expenses		(3,657)	(3,656)
Operating profit	5	1,323	1,336
Finance costs	7	-	(2)
Profit before taxation		1,323	1,334
Tax on profit on ordinary activities	8	(343)	(350)
Profit for the year		980	984

There is no other comprehensive income for the year

The notes set out on pages 11 to 26 are an integral part of these financial statements.

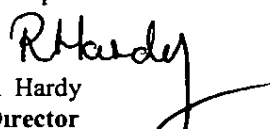
Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

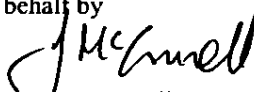
Balance sheet as at 31 December 2012

Assets	Note	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	9	310	364
Intangible assets	10	62	125
Deferred tax asset	11	14	18
Total non-current assets		386	507
Current assets			
Inventories	12	28	107
Trade and other receivables	13	1,155	1,767
Cash and cash equivalents		1,296	281
Total current assets		2,479	2,155
Current liabilities			
Trade and other payables	14	(889)	(1,165)
Corporation tax liability		-	(1)
Total current liabilities		(889)	(1,166)
Net current assets		1,590	989
Net assets		1,976	1496
Shareholders' equity			
Share capital	15	4	4
Share Premium		384	384
Retained earnings		1,588	1,108
Total equity		1,976	1,496

The notes set out on pages 11 to 26 are an integral part of these financial statements.

The financial statements on pages 7 to 26 were approved and authorised by the Board of Directors on 27 September 2013 and were signed on its behalf by


R Hardy
Director


J McConnell
Director

Aesica Formulations Development Limited. Registered number 05661235

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Statement of changes in equity for the year ended 31 December 2012

	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2011		4	384	624	1012
Profit for the year		-	-	984	984
Dividends paid	17	-	-	(500)	(500)
At 31 December 2012		4	384	1,108	1,496
At 1 January 2012		4	384	1,108	1,496
Profit for the year		-	-	980	980
Dividends paid	17	-	-	(500)	(500)
At 31 December 2012		4	384	1,588	1,976

The notes set out on pages 11 to 26 are an integral part of these financial statements.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Cash flow statement for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	18	1,564	446
Tax paid		-	(64)
Net cash from operating activities		1,564	382
Cash flows from investing activities			
Purchase of property, plant and equipment		(49)	(231)
Net cash used in investing activities		(49)	(231)
Cash flows from financing activities			
Dividends paid	17	(500)	(500)
Interest paid		-	(2)
Net cash used in financing activities		(500)	(502)
Net increase / (decrease) in value of cash and cash equivalents		1,015	(351)
Cash equivalents at 1 January 2013	19	281	632
Cash equivalents at 31 December 2013	19	1,296	281

The notes set out on pages 11 to 26 are an integral part of these financial statements.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

1. General Information

Aesica Formulation Development Limited, ("the company") develops and manufactures clinical materials

The company is incorporated and domiciled in the United Kingdom. The address of its registered office is Q5, Quorum Business Park, Benton lane, Newcastle upon Tyne, NE12 8B5

2. Summary of significant accounting policies

The principal accounting policies applied 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 Aesica Formulation Development Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and 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 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 that would require disclosure in the notes of these financial statements.

Going Concern

After making appropriate enquiries, the directors have a reasonable expectation that the company and group to which it belongs, has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Changes in accounting policy and disclosure

- **New and amended standards adopted by the company**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that have any impact on the company.

- **New and amended standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for periods beginning on or after the 1 January 2013 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the future financial statements of the company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added tax. Revenue is recognised at the point at which the risks and rewards of ownership are passed to the customer, which is typically on despatch or when services are provided.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

2. Summary of significant accounting policies (continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal management reporting provided to the board of directors. The directors consider that there is only one business segment, being manufacture and sale of active pharmaceutical ingredients, formulated products and packaging services.

Foreign currency translation

Functional presentation currency

The financial statements are presented in pounds sterling (£), which is the company's functional and presentational currency.

Transactions and balances

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 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 except when deferred in other qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the statement within "other (losses) / gains- net".

Research expenditure

Expenditure on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation. Historical cost includes costs directly attributable to the acquisition of the items. Historical cost may also include transfers from equity of any gains / losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Land and assets in the course of construction are not depreciated. Depreciation on other assets is provided using the straight line method to allocate the cost, less estimated residual value, of the assets over their expected useful economic lives as follows:

Plant and machinery	-	20% per annum
Fixtures and fittings	-	20% per annum
Equipment	-	20% per annum

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses) / gains – net" in the income statement.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

2. Summary of significant accounting policies (continued)

Intangible fixed assets

The Intangible fixed assets are measured at historical cost less accumulated amortisation. Historical cost may also include transfers from equity of any gains / losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Amortisation is provided using the straight line method to allocate the cost, less estimated residual values, of the assets over their expected useful economic lives as follows:

Sterile site licence - Over 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses) / gains – net" in the income statement.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains / losses on qualifying cash flow hedges for the purchase of raw materials.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are initially recognised at their fair value, with reviews for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all of the amounts due in accordance with the original terms of the receivables.

Cash and cash equivalents

Cash comprises cash in hand and on demand bank deposits. Cash equivalents are short-term highly liquid investments with maturity of less than 90 days that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

2. Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised on the income statement over the period of the borrowings using the effective interest method.

Taxation including deferred tax

The tax expense for the period comprises current income tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items that are recorded in other comprehensive income or directly in equity. In this case 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 and any adjustment to tax payable in respect of previous years. Current income tax relating to items directly in equity is recognised in equity and not in the income statement. Management periodically evaluates the 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. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Employee benefits

The company operates a defined contribution pension scheme for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Leases

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

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

2. Summary of significant accounting policies (continued)

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period that they are formally approved by the company's shareholders

3. Finance risk management

Financial risk factors

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and changes in interest rates. The board reviews and agrees policies for managing each of these risks. These policies are summarised below

Interest rate risk and liquidity risk

The company currently has no borrowings other than loans from group companies

Fair value estimates

The fair values of short-term deposits and borrowings with a maturity of less than one year are not significantly different to their carrying values

Exchange rate risk

The company operates internationally, however, it minimises its exchange risk by denominating all of its significant transactions in sterling and the level of transactions and balances denominated in foreign currency is so small that exchange risk is insignificant

Credit risk

With the exception of amounts due from Ornel who represents 52% of the company's trade receivables the company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Cash deposits are only held with institutions with credit scores of "A"

Price risk

The company aims to minimise price risk by entering long term supply agreements wherever possible

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as maintaining an optimal capital structure to reduce the overall cost of capital. Capital is calculated as shareholders' equity as shown in the balance sheet

In order to maintain this optimal structure, the company may adjust the amount of equity dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt

The growth of EBITDA (earnings before interest, depreciation, taxation and amortisation) is the key perceived driver of shareholder value within the company and is the key performance measure reported to the Board. EBITDA was £1,489k (2011 £1,542k)

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

4 Revenue

Based on risks and returns, the directors consider that the reporting format is by business segment. The directors consider that there is only one business segment, being the development, manufacture and sale of formulated products.

Revenue by destination is as follows.	2012	2011
	£'000	£'000
Europe	3,285	1,803
NAFTA	2,477	3,930
Rest of the world	145	193
Total revenue	5,907	5,926

NAFTA is defined as the North American Free Trade Agreement, thus, incorporates the United States of America.

The UK is the home country of the company, all assets are held within the United Kingdom and all capital expenditure is incurred within the United Kingdom.

5 Operating profit

	2012	2011
	£'000	£'000
The following items have been charged in arriving at operating profit		
Staff Costs	1,552	1,783
Depreciation of owned property, plant and equipment	103	145
Amortisation of intangible assets	63	61
Operating lease rentals in respect of land and buildings	473	473

Audit fees of £9k (2011 £9k) have been accounted for by another group company, Aesica Pharmaceuticals Limited. These fees are recharged as part of the annual management fees. There were no charges for the company's auditors for non-audit work.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

6 Employees and directors

	2012	2011
	£'000	£'000
Staff costs		
Wages and salaries	1,354	1,509
Social security costs	138	148
Other pension costs	60	126
Total staff costs	1,552	1,783

	2012	2011
Average monthly number of people employed:	Number	Number
Production	38	49
Administration	11	9
Total number of employees	49	58

Key management compensation

One employee (2011 one) who is considered to be a key management figure received remuneration that was recharged to the company. The remaining key management employees received no remuneration from the company for their services. These employees do receive remuneration from other group companies for services performed in those companies and the work that they undertake in Aesica Formulation Development Limited is considered to be incidental to their work in the other group companies.

	2012	2011
	£'000	£'000
Short term employee benefits	98	330

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

6 Employees and directors (continued)

Directors

One (2011 four) director received remuneration that was recharged to the company. The remaining directors received no remuneration from the company for their services. These directors do receive emoluments from other group companies for services performed in those companies and the work undertaken in Aesica Formulation Development is considered to be incidental to their work in the other group companies. Retirement benefits were accruing to one (2011 four) directors under a defined contribution scheme.

	2012	2011
	£'000	£'000
Aggregate emoluments	85	254
Group contributions to a defined contribution pension scheme	13	76
Total directors' emoluments	98	330

	Group	
	2012	2011
	£'m	£'m
Highest paid director		
Aggregate emoluments	85	89
Group contributions to a defined contribution pension scheme	13	-
Total emoluments of highest paid director	98	89

7 Finance costs

	2012	2011
	£'000	£'000
Bank interest and similar charges	-	2

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

8 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Corporation tax on income for the period	350	377
Adjustments in respect of prior periods	(11)	(9)
Current tax	339	368
Deferred tax (note 11)	4	(18)
Tax on profit on ordinary activities	343	350

The tax for the current period is higher (2011 Lower) lower than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Profit before tax	1,323	1,334
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	324	354
Effects of		
Expenses not deductible for tax purposes	-	4
Permanent Differences	20	-
Adjustments in respect of prior periods – corporation tax	(11)	(9)
Adjustments in respect of prior periods – deferred tax	9	-
Effect of changes in tax rate	1	1
Tax on profit on ordinary activities	343	350

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax system were substantively enacted as a part of the finance bill 2013 on the 2nd July 2013. These include reductions to the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. As the changes had not been substantively enacted at the balance sheet date their effects have not been included in these financial statements. The overall effect is not expected to have a material impact on the company's deferred tax balances.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

9 Property, plant and equipment

	Plant and machinery	Fixtures and fittings	Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2011	564	15	26	605
Additions	228	3	-	231
At 31 December 2011	792	18	26	836
At 1 January 2012	792	18	26	836
Additions	39	2	8	49
At 31 December 2012	831	20	34	885
Accumulated depreciation				
At 1 January 2011	305	4	18	327
Charge for the year	139	4	2	145
At 31 December 2011	444	8	20	472
At 1 January 2012	444	8	20	472
Charge for the year	98	4	1	103
At 31 December 2012	542	12	21	575
Net book amount				
At 31 December 2012	289	8	13	310
Net book amount				
At 31 December 2011	348	10	6	364

Depreciation is charged to the income statement as a part of the administration costs

All of the assets of the company are the subject of a fixed and floating charge in Lloyds Bank standard form securing the debts of all of the group companies

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

10 Intangible assets

	Sterile Site Licence £'000
Cost	
At 1 January 2011	298
Additions	-
At 31 December 2011	298
At 1 January 2012	298
Additions	-
At 31 December 2012	298
Accumulated amortisation	
At 1 January 2011	112
Charge for the year	61
At 31 December 2011	173
At 1 January 2012	173
Charge for the year	63
At 31 December 2012	236
Net book amount	
At 31 December 2012	62
Net book amount	
At 31 December 2011	125

Amortisation is charged to the income statement as a part of the administration costs

All of the assets of the company are the subject of a fixed and floating charge in Lloyds Bank standard form securing the debts of all of the group companies

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

11 Deferred tax asset

The movement on the deferred tax account is as follows

	2012	2011
	£'000	£'000
At 1 January 2012	18	-
Taxation (charge) /credit in income statement	(4)	18
At 31 December 2012	14	18

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 financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The company currently has no deferred tax liabilities that are recognised or unrecognised.

The whole of the deferred tax asset is made up of accelerated tax depreciation and is considered to be recoverable against future profits.

12 Inventories

	2012	2011
	£'000	£'000
Raw materials and packaging	28	107

Inventories expensed during the period amounted to £339k. This represents the amounts of inventories charged to cost of sales.

The carrying values of inventory at the balance sheet date have been reviewed and it has not proved necessary to make any provision for impairment.

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

13 Trade and other receivables

	2012	2011
Amounts receivable within one year	£'000	£'000
Trade receivables	999	1,554
Social security and other taxes	63	81
Prepayments and accrued income	93	132
Total trade and other receivables	1,155	1,767

The carrying amounts of the company's trade and other receivables are all denominated in sterling

All of the companies receivables are less than three months overdue and it has not been necessary to make any provisions for impairment. All of the amounts disclosed above are considered to be collectable

14 Trade and other payables

	2012	2011
Current liabilities	£'000	£'000
Trade payables	236	334
Amounts owed to group undertaking	36	427
Social security and other taxes	225	-
Accruals and deferred income	392	404
Total trade and other payables	889	1,165

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand

15 Share capital

	2012	Allotted and fully paid		2011
	Number	2011	2012	2011
		Number	£'000	£'000
Ordinary shares of £1 each	3,567	3,567	4	4

Significant holdings

100% of the share capital is owned by Aesica Queenborough Limited

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

16 Financial Instruments by category

	Loans and receivables	Total
31 December 2012	£'000	£'000
Assets per the balance sheet		
Trade and other receivables (excluding prepayments)	1,062	1,062
Cash and cash equivalents	1,296	1,296
	2,358	2,358
	Other financial Liabilities at amortised cost	Total
	£'000	£'000
Liabilities per the balance sheet		
Trade and other payables (excluding accruals)	497	497
	497	497
	Loans and receivables	Total
31 December 2011	£'000	£'000
Assets per the balance sheet		
Trade and other receivables (excluding prepayments)	1,635	1,635
Cash and cash equivalents	281	281
	1,835	1,835
	Other financial Liabilities at amortised cost	Total
	£'000	£'000
Liabilities per the balance sheet		
Trade and other payables (excluding accruals)	761	761
	761	761

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

17 Dividends

	2012	2011
	£'000	£'000
Ordinary shares		
Interim dividend of £140 17 (2011 £140 17) per share	500	500

18 Cash generated from operations

Reconciliation of operating profit to cash generated from operations

	2012	2011
	£'000	£'000
Operating profit	1,323	1,336
Adjustments for non-cash items:		
Depreciation	103	145
Amortisation	63	61
Changes in working capital:		
Decrease/(increase) in inventory	79	(107)
Decrease/(increase) in trade and other receivables	612	(1,141)
(Decrease)/increase in trade and other payables	(616)	152
Cash generated from operations	1,564	446

19 Cash and cash equivalents

	1 January 2011	Cash flows	31 December 2011
	£'000	£'000	£'000
Cash at bank and in hand	632	(351)	281
Cash and cash equivalents	632	(351)	281

	1 January 2012	Cash flows	31 December 2012
	£'000	£'000	£'000
Cash at bank and in hand	281	1,015	1,296
Cash and cash equivalents	281	1,015	1,296

Aesica Formulation Development Limited (formerly R5 Pharmaceuticals Limited)

Notes to the financial statements for the year ended 31 December 2012

20 Operating lease commitments – minimum lease payments

At the balance sheet date the company had lease agreements in respect of properties for which the payments extend over a number of years

Property	2012 £'000	2011 £'000
Total commitment under non-cancellable operating leases expiring:		
Within two to five Years	870	1,102
After five years	1,506	1,747
Total commitment under non-cancellable operating leases	2,376	2,849

21 Related parties

The company is controlled by Aesica Queenborough Limited, which owns 100% of the company's share capital. The ultimate parent undertaking is Aesica Holdco Limited, which is 64 % owned by Silverfleet Capital Partners LLP, a Limited Liability Partnership registered in England who is considered to be the ultimate controlling party. The accounts for Aesica Holdco Limited can be obtained from Q5, Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BS.

Aesica Holdco Limited is the largest group of undertakings to include these financial statements in their consolidated financial statements. Aesica Pharmaceuticals is the smallest group of undertakings to include these financial statements in their consolidated financial statements.

The company had transactions with another group company, Aesica Pharmaceuticals Limited who invoiced management fees payable of £314k (2011 £295k) and repaid group relief received, with respect to corporation tax, of £339k (2011 £368k). The company had transactions with another group company, Aesica BC Limited who invoiced the company for management consultancy services of £121k (2011 £20k).

At the balance sheet date the company owed another group company Aesica Pharmaceuticals Limited £36,000 (2011 £427,000). This debt is interest free and there are no formal terms for its repayment.