

Aesica Formulation Development Limited
Annual report and financial statements
for the year ended 31 December 2013

Registered in England Number: 05661235

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Aesica Formulation Development Limited
Annual report and financial statements
for the year ended 31 December 2013
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Aesica Formulation Development Limited

Directors and advisers

Directors

P Titley

R Hardy

J McConnell

N Jones (appointed 14 March 2014)

Company secretary

R Tuxford

Independent auditors

PricewaterhouseCoopers LLP

5th and 6th Floors

Chartered Accountants and Statutory Auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

Bankers

Lloyds Banking Group

Black Horse House

91 Sandyford Road

Newcastle upon Tyne

NE1 8HQ

Registered office

Aesica Pharmaceuticals Limited

Q5, Quorum Business Park

Benton Lane

Newcastle upon Tyne

NE12 8BS

Aesica Formulation Development Limited

Strategic report for the year ended 31 December 2013

Principal activities

The company develops and manufactures clinical materials for the pharmaceutical industry.

Key performance indicators (KPIs)

The key performance indicator of the company is EBITDA pre-exceptional items and as disclosed in the “capital risk management” section of note 2 to the financial statements.

Business review

The directors are satisfied with the company’s performance during the year as the company has shown growth in both revenue and EBITDA pre-exceptional items.

The results for the company show revenue of £6,649k (2012: £5,907k), showing annual growth of 12.6%. This growth was driven by strong performance across the underlying business, supported by new contract wins.

The results for the company show EBITDA pre-exceptional items of £2,374k (2012: £1,537k), representing annual growth of 54.5%.

The company has net assets of £4,234k (2012: £1,976k) at the year end.

No dividends were paid in the year (2012: £500k) and the directors do not recommend the payment of a final dividend (2012: £nil)

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 2 to the financial statements.

On behalf of the Board



R Tuxford
Company Secretary

19 August 2014

Aesica Formulation Development Limited

Directors' report for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

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 Aesica Pharmaceuticals Limited, Q5, Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BS.

Research and development

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

Directors

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

P Titley

R Hardy

J McConnell

N Jones (appointed 14 March 2014)

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 (2012 £nil) political or charitable donations.

Aesica Formulation Development Limited

Directors' report for the year ended 31 December 2013 (continued)

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

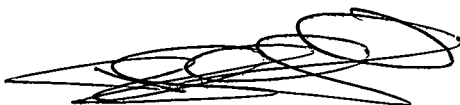
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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.

On behalf of the Board



R-Tuxford
Company Secretary

19 August 2014

Aesica Formulation Development Limited

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

Opinion on financial statements

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cashflows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Aesica Formulation Development Limited, comprise:

- the Balance sheet as at 31 December 2013;
- the Statement of comprehensive income for the year then ended;
- the Cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statement involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Aesica Formulation Development

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of director's responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.



Michael Jeffrey (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

19 August 2014

Aesica Formulation Development Limited

Statement of comprehensive income for the year ended 31 December 2013

		2013	2012
Continuing operations	Note	£'000	£'000
Revenue	3	6,649	5,907
Cost of sales		(678)	(927)
Gross profit		5,971	4,980
Administrative expenses before exceptional costs		(3,772)	(3,608)
Exceptional costs	3	71	(49)
Total administrative expenses		(3,701)	(3,657)
Operating profit	4	2,270	1,323
Finance costs	7	(15)	-
Profit before taxation		2,255	1,323
Tax on profit on ordinary activities	8	3	(343)
Profit for the year		2,258	980

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.

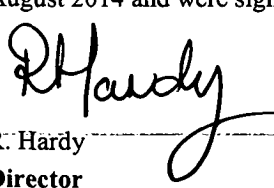
Aesica Formulation Development Limited

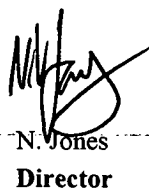
Balance sheet as at 31 December 2013

		2013	2012
Assets	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	9	473	310
Intangible assets	10	-	62
Deferred tax asset	11	77	14
Total non-current assets		550	386
Current assets			
Inventories	12	51	28
Trade and other receivables	13	4,025	1,155
Cash and cash equivalents		568	1,296
Total current assets		4,644	2,479
Current liabilities			
Trade and other payables	14	(900)	(889)
Taxation liabilities	8	(60)	-
Total current liabilities		(960)	(889)
Net current assets		3,684	1,590
Net assets		4,234	1,976
Shareholders' equity			
Share capital	15	4	4
Share Premium		384	384
Retained earnings		3,846	1,588
Total equity		4,234	1,976

The notes set out on pages 11 to 27 are an integral part of these financial statements.

The financial statements on pages 7 to 27 were approved and authorised by the Board of Directors on 19 August 2014 and were signed on its behalf by:


R. Hardy
Director


N. Jones
Director

Aesica Formulations Development Limited. Registered number 05661235

Aesica Formulation Development Limited

Statement of changes in equity for the year ended 31 December 2013

		Share capital	Share premium account	Retained earnings	Total equity
	Note	£'000	£'000	£'000	£'000
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
At 1 January 2013		4	384	1,588	1,976
Profit for the year		-	-	2,258	2,258
At 31 December 2013		4	384	3,846	4,234

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

Aesica Formulation Development Limited

Cash flow statement for the year ended 31 December 2013

		2013	2012
	Note	£'000	£'000
Cash flows from operating activities			
Cash (used)/ generated from operations	18	(434)	1,564
Net cash from operating activities		(434)	1,564
Cash flows from investing activities			
Purchase of property, plant and equipment		(279)	(49)
Net cash used in investing activities		(279)	(49)
Cash flows from financing activities			
Dividends paid	17	-	(500)
Interest paid		(15)	-
Net cash used in financing activities		(15)	(500)
Net (decrease)/increase in value of cash and cash equivalents		(728)	1,015
Cash equivalents at 1 January	19	1,296	281
Cash equivalents at 31 December	19	568	1,296

The notes set out on pages 11 to 27 are an integral part of these financial statements.

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013

1 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 European Union and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and on a going concern basis.

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 IFRC 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

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 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

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 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.

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Summary of significant accounting policies (continued)

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.

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.

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Summary of significant accounting policies (continued)

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.

The company operates a performance related monetary bonus scheme. There are no share based incentive schemes. The payments are based on company and individual performance and subject to certain criteria being met.

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.

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.

2 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.

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Finance risk management (continued)

Credit risk

With the exception of amounts due from Oriel who represents 79% (2012: 52%) of the company's trade receivables the company has no significant concentration 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) pre-exceptional items is the key perceived driver of shareholder value within the company and is the key performance measure reported to the Board. EBITDA pre-exceptional items was £2,374k (2012 £1,537k).

3 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.

	2013	2012
Revenue by destination is as follows:	£'000	£'000
Europe	6,416	3,285
NAFTA	187	2,477
Rest of the world	46	145
Total revenue	6,649	5,907

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.

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

4 Operating profit

	2013	2012
	£'000	£'000
The following items have been charged in arriving at operating profit:		
Staff costs	1,592	1,552
Depreciation of owned property, plant and equipment	116	103
Amortisation of intangible assets	62	63
Operating lease rentals in respect of land and buildings	406	473

Audit fees of £8k (2012 £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.

5 Exceptional costs

	2013	2012
	£'000	£'000
Restructuring costs and other one-off associated costs	(71)	49
Exceptional costs	(71)	49

6 Employees and directors

	2013	2012
	£'000	£'000
Staff costs		
Wages and salaries	1,407	1,354
Social security costs	133	138
Other pension costs	52	60
Total staff costs	1,592	1,552

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Employees and directors (continued)

	2013	2012
Average monthly number of people employed:	Number	Number
Production	37	38
Administration	10	11
Total number of employees	47	49

Key management compensation

One employee (2012 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.

	2013	2012
	£'000	£'000
Short term employee benefits	104	98

Directors

One (2012 One) 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 (2012 one) directors under a defined contribution scheme.

	2013	2012
	£'000	£'000
Aggregate emoluments	91	85
Group contributions to a defined contribution pension scheme	13	13
Total directors' emoluments	104	98

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Employees and directors (continued)

	Group	
Highest paid director	2013	2012
	£'000	£'000
Aggregate emoluments	91	85
Group contributions to a defined contribution pension scheme	13	13
Total emoluments of highest paid director	104	98

7 Finance costs

	2013	2012
	£'000	£'000
Bank interest and similar charges	15	-

8 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Corporation tax on income for the period	60	350
Adjustments in respect of prior periods	-	(11)
Current tax	60	339
Deferred tax (note 11)	(63)	4
Tax (credit)/charge on profit on ordinary activities	(3)	343

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Tax on profit on ordinary activities (continued)

The tax for the current period is lower (2012 higher) than the standard rate of corporation tax in the UK of 23.25 % (2012 24.5%). The differences are explained below:

	2013	2012
	£'000	£'000
Profit before tax	2,255	1,323
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 24.5%)	524	324
Effects of:		
Expenses not deductible for tax purposes	166	-
Permanent Differences	-	20
Other losses and non-taxable items	(209)	-
Group relief not paid	(485)	-
Adjustments in respect of prior periods – corporation tax	-	(11)
Adjustments in respect of prior periods – deferred tax	(1)	9
Effect of changes in tax rate	2	1
Tax (credit)/charge on profit on ordinary activities	(3)	343

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.

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Notes to the financial statements for the year ended 31 December 2013 (continued)

9 Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 2012	792	18	26	-	836
Additions	39	2	8	-	49
At 31 December 2012	831	20	34	-	885
At 1 January 2013	831	20	34	-	885
Additions	246	-	1	32	279
At 31 December 2013	1,077	20	35	32	1,164
Accumulated depreciation					
At 1 January 2012	444	8	20	-	472
Charge for the year	98	4	1	-	103
At 31 December 2012	542	12	21	-	575
At 1 January 2013	542	12	21	-	575
Charge for the year	109	4	3	-	116
At 31 December 2013	651	16	24	-	691
Net book amount					
At 31 December 2013	426	4	11	32	473
Net book amount					
At 31 December 2012	289	8	13	-	310

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

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Intangible assets

	Sterile Site Licence £'000
Cost	
At 1 January 2012	298
Additions	-
At 31 December 2012	298
At 1 January 2013	298
Additions	-
At 31 December 2013	298
Accumulated amortisation	
At 1 January 2012	173
Charge for the year	63
At 31 December 2012	236
At 1 January 2013	236
Charge for the year	62
At 31 December 2013	298
Net book amount	
At 31 December 2013	-
Net book amount	
At 31 December 2012	62

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

Notes to the financial statements for the year ended 31 December 2013 (continued)

11 Deferred tax asset

The movement on the deferred tax account is as follows:

	2013	2012
	£'000	£'000
At 1 January 2013	14	18
Taxation credit/(charge) in income statement	63	(4)
At 31 December 2013	77	14

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

	2013	2012
	£'000	£'000
Raw materials and packaging	51	28

Inventories expensed during the period amounted to £563k (2012:£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.

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Notes to the financial statements for the year ended 31 December 2013 (continued)

13 Trade and other receivables

	2013	2012
	£'000	£'000
Amounts receivable within one year		
Trade receivables	1,433	999
Amounts owed by group undertakings	2,291	-
Social security and other taxes	-	63
Prepayments and accrued income	301	93
Total trade and other receivables	4,025	1,155

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

	2013	2012
	£'000	£'000
Current liabilities		
Trade payables	400	236
Amounts owed to group undertaking	-	36
Social security and other taxes	88	225
Accruals and deferred income	412	392
Total trade and other payables	900	889

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

15 Share capital

	Allotted and fully paid			
	2013	2012	2013	2012
	Number	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

Notes to the financial statements for the year ended 31 December 2013 (continued)

16 Financial Instruments by category

31 December 2013	Loans and receivables £'000	Total £'000
Assets per the balance sheet		
Trade and other receivables (excluding prepayments)	3,724	3,724
Cash and cash equivalents	568	568
	4,292	4,292
	Other financial Liabilities at amortised cost £'000	Total £'000
Liabilities per the balance sheet		
Trade and other payables (excluding accruals)	488	488
	488	488
31 December 2012	Loans and receivables £'000	Total £'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 £'000	Total £'000
Liabilities per the balance sheet		
Trade and other payables (excluding accruals)	497	497
	497	497

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Notes to the financial statements for the year ended 31 December 2013 (continued)

17 Dividends

	2013	2012
	£'000	£'000
Ordinary shares		
Interim dividend of £nil (2012 £140.17) per share	-	500

18 Cash generated from operations

Reconciliation of operating profit to cash generated from operations

	2013	2012
	£'000	£'000
Operating profit	2,270	1,323
Adjustments for non-cash items:		
Depreciation	116	103
Amortisation	62	63
Changes in working capital:		
(Increase)/Decrease in inventory	(23)	79
(Increase)/Decrease in trade and other receivables	(2,870)	612
Increase /(Decrease) in trade and other payables	11	(616)
Cash (used)/ generated from operations	(434)	1,564

19 Cash and cash equivalents

	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

	1 January 2013	Cash flows	31 December 2013
	£'000	£'000	£'000
Cash at bank and in hand	1,296	(728)	568
Cash and cash equivalents	1,296	(728)	568

Aesica Formulation Development Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

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	2013	2012
	£'000	£'000
Total commitment under non-cancellable operating leases expiring:		
Within one year	504	473
Over one year and less than two years	516	473
Within two to five years	1,239	1,129
After five years	-	301
Total commitment under non-cancellable operating leases	2,259	2,376

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 financial statements 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 Limited 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 £293k (2012 £314k). The company had transactions with another group company, Aesica BC Limited who invoiced the company for management consultancy services of £117k (2012 £121k).

At the balance sheet date the company was owed £2,291k (2012: creditor £36k) by another group company Aesica Pharmaceuticals Limited. The debt is interest free and there were no formal terms for its repayment.