

MEDICINES DISCOVERY CATAPULT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



MEDICINES DISCOVERY CATAPULT LIMITED

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MEDICINES DISCOVERY CATAPULT LIMITED

COMPANY INFORMATION

| | |
|--------------------------|------------------------|
| Directors | K M Bellingham |
| | C J Dix |
| | C M Longson |
| | A F Markham |
| | C R Molloy |
| | C D Morris |
| | C Reilly |
| | R J Brown |
| | L Robb |
| Registered office | Mereside Alderley Park |
| | Alderley Edge |
| | Macclesfield |
| | Cheshire |
| | SK10 4TG |
| Auditors | Hazlewoods LLP |
| | Staverton Court |
| | Staverton |
| | Cheltenham |
| | GL51 0UX |

MEDICINES DISCOVERY CATAPULT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their strategic report for the year ended 31 March 2019.

Introduction

The Medicines Discovery Catapult ("MDC" or "the Catapult") is a company limited by guarantee, established in December 2015 with a £10M grant from Innovate UK. Its purpose is to address barriers to adoption of new technologies and methods of working in the Medicines Discovery Sector. It does this through the provision of expertise, equipment and collaborative R&D. UK industry, charities and academics are now using the MDC as a national centre for cross sector collaboration and access to relevant national infrastructure. The Catapult is addressing four key sector issues which aim to make the sector more productive and the UK an attractive environment for the growth of the sector as a whole.

- Proving and releasing more predictive biological models of human disease for new drug testing;
- Proving and releasing more predictive computational techniques that accelerate and de-risk drug discovery projects;
- Providing services that help collaborators navigate the complex market of service providers and national resources, including ethically sourced human tissues; and
- Pioneering new collaborative drug discovery models between research charities and industry.

Principal activity

The principal activity of the company is research and development in support of large and small pharmaceutical companies, contract research organisations, and diagnostics businesses operating in the health sector.

Fair review of the business

In October 2018 MDC signed a 5-year Grant Funding Agreement with Innovate UK. This secured £55M in core funding from April 2018 to March 2023, subject to annual agreed milestones and key performance indicators. The allocation of funding approximates to £10M per year which provides long term support to MDC's core infrastructure. In addition, MDC has secured £0.5M in non-core funding for specific projects from commercial and competitive grant sources.

In April 2018 MDC agreed an Implementation Plan for FY 2018/19 which detailed its immediate capability build, commercial initiatives and scientific objectives. This plan was delivered to the satisfaction of MDC stakeholders. MDC doubled in staff size, has a functional infrastructure, operational and business model and has delivered measurable outputs of value for the UK Medicines Discovery sector. It has increased its staff numbers from 40 to 75. In particular it has scaled its R&D (biological and informatics sciences); business engagement and operations (project management, finance and legal) resources.

Business Review

During this financial year MDC has increased its project portfolio from 18 to 52 projects. It has developed a pipeline of over 28 additional projects, which are in feasibility as of May 2019. Strategic R&D collaborations deals have been secured with national biotechnology companies, global technology firms and multinational pharmaceuticals.

MDC has been a partner to industry in several successful (multiyear) R&D grant awards, particularly in the application of Artificial Intelligence.

Stakeholder engagement

MDC engages regularly with its external and internal stakeholders. It has now engaged with over 1000 companies across the UK and undertaken market research with its client community to identify their needs. In partnership with Frontier Economics the MDC is benchmarking its impact through the development of logic models, and surveys of its client-base.

MDC's engagement with its rapidly increasing staff cohort is critical to its stability and success. Staff surveys have been completed to guide the development of the company and monitor its culture. Currently MDC is 51% female with 25% staff coming from outside the UK.

MEDICINES DISCOVERY CATAPULT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Governance and Policy Development

During the year there were three changes to the MDC Board. In May Dr Robin Brown replaced Professor Graham Boulnois as independent non-executive chairman (and Member of MDC). Ms Lynne Robb replaced Mr Peter Kellner as an independent non-executive and chair of the Audit and Risk subcommittee. Mr Rob Bryan resigned from the Board after the 5-year grant funding agreement was received and transferred his membership of MDC to Mr Chris Molloy (CEO).

The Board approved company policies on Bribery and GDPR and board members attended the relevant training. The Board has continued to assure itself of effectiveness through reports from its three subcommittees; Audit and Risk, Nomination and Remuneration and Projects.

Strategy Development

The 5-year strategy of the MDC is subject to continual review by the executive management and the board of directors. In addition, review of the science at the MDC will be aided by the appointment of specific scientific advisory boards.

A Delivery Plan for 2019/20, containing KPIs and milestones has been developed by management and approved by the Board. This plan sets out how MDC will exploit the capability it has developed, grow its revenue streams, and encourage third party private companies to invest in R&D in the UK. It also involves the refurbishment of MDC's facility, which will complete in May/June 2020.

Principal risks and uncertainties

The management of the business and the execution of the Catapult's strategy are subject to several risks.

The key business risk and uncertainty affecting the Catapult has been in securing further five years core funding which is now complete. Current business risks include; securing commercial funding for specific projects; securing additional grant income for industry-led projects; completing the facility development on time and budget and hiring suitable technical staff to deliver future projects.

Approved by the Board on 30/8/19 and signed on its behalf by:



R J Brown
Director

MEDICINES DISCOVERY CATAPULT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors of the company

The directors who held office during the year were as follows:

K M Bellingham

G J Boulnois (resigned 24 May 2018)

R K Bryan (resigned 31 December 2018)

C J Dix

P J Kellner (resigned 20 August 2018)

C M Longson

A F Markham

C R Molloy

C D Morris

C Reilly

R J Brown (appointed 27 July 2018)

L Robb (appointed 1 January 2019)

Results

The Catapult has received £10,881,793 of Grant Funding from Innovate UK in the year, of which £8,521,024 has been recognised as turnover in the profit and loss account.

Future developments

The warm reception of the Medicines Discovery Catapult and its 5-year delivery plan in the sector, indicates that its core strategy and deliverables are required by UK plc to secure a robust medicines discovery environment. Building its capability and delivering impact for stakeholders in the sector to address these issues is the challenge that the Catapult faces over the coming year and beyond.

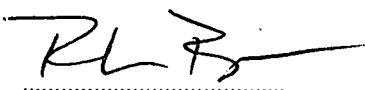
Disclosure of information to the auditors

Each director has taken 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 directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditor, Hazlewoods LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 30/8/19 and signed on its behalf by:



R J Brown
Director

MEDICINES DISCOVERY CATAPULT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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.

MEDICINES DISCOVERY CATAPULT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICINES DISCOVERY CATAPULT LIMITED

Opinion

We have audited the financial statements of Medicines Discovery Catapult Limited (the 'company') for the year ended 31 March 2019, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

MEDICINES DISCOVERY CATAPULT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICINES DISCOVERY CATAPULT LIMITED

Matters on which we are required to report by exception

In light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors Report.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 (APB's) Ethical Standards for Auditors to the financial statements.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Paul Fussell (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

5 September 2019

MEDICINES DISCOVERY CATAPULT LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019**

| | Note | 2019 £ | 2018 £ |
|-----------------------------|------|------------------------|-----------------------|
| Turnover | 3 | 8,673,467 | 4,553,384 |
| Cost of sales | | <u>(1,532,871)</u> | <u>(476,179)</u> |
| Gross profit | | 7,140,596 | 4,077,205 |
| Administrative expenses | | <u>(7,137,327)</u> | <u>(4,077,205)</u> |
| Operating profit | 4 | <u>3,269</u> | <u>-</u> |
| Profit before tax | | 3,269 | - |
| Taxation | 7 | <u>(19,076)</u> | <u>(1,827)</u> |
| Loss for the financial year | | <u><u>(15,807)</u></u> | <u><u>(1,827)</u></u> |

The above results were derived from continuing operations.

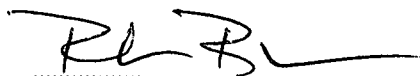
The company has no other comprehensive income for the year.

MEDICINES DISCOVERY CATAPULT LIMITED

**(REGISTRATION NUMBER: 09928547)
BALANCE SHEET AS AT 31 MARCH 2019**

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 4,924,217 | 4,866,158 |
| Investments | 8 | <u>1</u> | <u>1</u> |
| | | <u>4,924,218</u> | <u>4,866,159</u> |
| Current assets | | | |
| Debtors | 10 | 3,503,129 | 787,813 |
| Cash at bank and in hand | | <u>632,318</u> | <u>640,099</u> |
| | | 4,135,447 | 1,427,912 |
| Creditors: Amounts falling due within one year | 12 | <u>(9,084,076)</u> | <u>(6,304,730)</u> |
| Net current liabilities | | <u>(4,948,629)</u> | <u>(4,876,818)</u> |
| Total assets less current liabilities | | (24,411) | (10,659) |
| Provisions for liabilities | 7 | <u>1,558</u> | <u>3,613</u> |
| Net liabilities | | <u>(22,853)</u> | <u>(7,046)</u> |
| Capital and reserves | | | |
| Profit and loss account | | <u>(22,853)</u> | <u>(7,046)</u> |
| Total equity | | <u>(22,853)</u> | <u>(7,046)</u> |

Approved and authorised by the Board on 30/8/19 and signed on its behalf by:



R J Brown
Director

The notes on pages 12 to 24 form an integral part of these financial statements.

MEDICINES DISCOVERY CATAPULT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

| | Profit and loss account £ |
|-------------------|--|
| At 1 April 2018 | (7,046) |
| Loss for the year | <u>(15,807)</u> |
| At 31 March 2019 | <u><u>(22,853)</u></u> |

| | Profit and loss account £ |
|----------------------------|--|
| 1 April 2017 | <u>(5,219)</u> |
| Loss for the year | <u>(1,827)</u> |
| Total comprehensive income | <u>(1,827)</u> |
| At 31 March 2018 | <u><u>(7,046)</u></u> |

The notes on pages 12 to 22 form an integral part of these financial statements.

MEDICINES DISCOVERY CATAPULT LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019 £ | 2018 £ |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (15,807) | (1,827) |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 4 | 1,257,530 | 554,326 |
| Loss on disposal of tangible assets | | 1,523 | 2,567 |
| Income tax expense | 7 | 19,076 | 1,827 |
| | | <u>1,262,322</u> | <u>556,893</u> |
| Working capital adjustments | | | |
| Increase in trade debtors | 10 | (2,715,316) | (242,832) |
| Increase in trade creditors | 12 | 2,014,989 | 167,686 |
| Increase in deferred income, including government grants | | <u>752,344</u> | <u>3,580,746</u> |
| Cash generated from operations | | 1,314,339 | 4,062,493 |
| Income taxes paid | 7 | <u>(5,008)</u> | <u>(5,219)</u> |
| Net cash flow from operating activities | | 1,309,331 | 4,057,274 |
| Cash flows from investing activities | | | |
| Acquisitions of tangible assets | | <u>(1,317,112)</u> | <u>(3,609,123)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (7,781) | 448,151 |
| Cash and cash equivalents at 1 April | | <u>640,099</u> | <u>191,948</u> |
| Cash and cash equivalents at 31 March | | <u><u>632,318</u></u> | <u><u>640,099</u></u> |

The notes on pages 12 to 22 form an integral part of these financial statements.

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Mereside Alderley Park
Alderley Edge
Macclesfield
Cheshire
SK10 4TG

The principal place of business is:

Mereside
Alderley Park
Alderley Edge
Macclesfield
Cheshire
SK10 4TG

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland',

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The company meets the definition of a public entity under FRS 102.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Group accounts not prepared

The company has taken advantage of the exemption in section 398 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, on the grounds that it is a small group.

Going concern

The ability for the company to continue as a going concern is dependant on the continuing support of the UK government which the Directors are confident will be achieved following the successful submission of the 5-year strategy and implementation plan to UK Research and Innovation.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company 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.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of the grants are included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Estimated useful life of tangible fixed assets as disclosed within these accounting policies.

Key sources of estimation uncertainty

No key sources of estimation uncertainty have had to be made by management in preparing these financial statements other than those detailed in these accounting policies.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

The company assess at each reporting date whether tangible fixed assets are impaired.

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|------------------------|---|
| Leasehold Improvements | Over the length of the lease break clause |
| Computer Equipment | 2 years straight line |
| Laboratory Equipment | 1-5 years straight line |
| Furniture and fittings | 2 years straight line |

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

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

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. 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 of the debtors.

Trade creditors

Trade creditors 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 the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Financial instruments

Classification

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from related parties and investments in non-puttable ordinary shares.

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Debt instruments like loans and other receivables and payable are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms of financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Investments in non-puttable ordinary shares are measured at cost less impairment for all other investments.

Recognition and measurement

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying value and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount recognised in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

At each reporting date non-financial assets not carried at fair value, such as property, plant and equipment are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less costs to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Inventories are also assessed for impairment at each reporting date. The carrying amount of each item of inventory, or group of similar items, is compared with its selling price less costs to complete and sell. If an item is found to be impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Core funding from Innovate UK | 8,521,024 | 4,548,545 |
| Collaborative research and development | 140,948 | - |
| Other revenue | 11,495 | 4,839 |
| | <u>8,673,467</u> | <u>4,553,384</u> |

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

The core grant, of which £8,521,024 (2018 - £4,548,545) has been recognised in the year, has been provided to enable Medicines Discovery Catapult to operate as a technology and innovation centre, assisting with the development and dissemination of knowledge and technologies and building the industrial capability and capacity in its field of expertise.

The analysis of the company's turnover for the year by market is as follows:

| | 2019 £ | 2018 £ |
|----|------------------|------------------|
| UK | <u>8,673,467</u> | <u>4,553,384</u> |

4 Operating profit

Arrived at after charging:

| | 2019 £ | 2018 £ |
|---|--------------|--------------|
| Depreciation expense | 1,257,530 | 554,326 |
| Operating lease expense - property | 289,891 | 188,556 |
| Loss on disposal of property, plant and equipment | 1,523 | 2,567 |
| Auditors remuneration | 15,500 | 11,000 |
| Auditors remuneration - Other services | <u>3,000</u> | <u>2,750</u> |

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Wages and salaries | 3,577,628 | 1,622,979 |
| Social security costs | 398,870 | 180,904 |
| Pension costs, defined contribution scheme | 319,817 | 133,542 |
| | <u>4,296,315</u> | <u>1,937,425</u> |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2019 No. | 2018 No. |
|-------------|-------------|-------------|
| Directors | 6 | 7 |
| Other staff | 60 | 22 |
| | <u>66</u> | <u>29</u> |

6 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Remuneration | 354,237 | 338,625 |
| Contributions paid to money purchase schemes | 21,012 | 20,500 |
| | <u>375,249</u> | <u>359,125</u> |

In respect of the highest paid director:

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Remuneration | 235,712 | 230,625 |
| Company contributions to money purchase pension schemes | 21,012 | 20,500 |

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7 Taxation

Tax charged/(credited) in the profit and loss account

| | 2019 £ | 2018 £ |
|---|---------------|----------------|
| Current taxation | | |
| UK corporation tax | 17,453 | 5,440 |
| UK corporation tax adjustment to prior periods | <u>(432)</u> | <u>-</u> |
| | 17,021 | 5,440 |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | <u>2,055</u> | <u>(3,613)</u> |
| Tax expense in the income statement | <u>19,076</u> | <u>1,827</u> |

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

| | 2019 £ | 2018 £ |
|---|---------------|--------------------|
| Profit before tax | <u>3,269</u> | <u>-</u> |
| Corporation tax at standard rate | 621 | - |
| Effect of expense not deductible in determining taxable profit (tax loss) | <u>18,455</u> | <u>1,827</u> |
| Total tax charge | <u>19,076</u> | <u>1,827</u> |
| Deferred tax | | |
| Deferred tax assets and liabilities | | |
| 2019 | | Asset £ |
| Timing differences | | <u>1,558</u> |
| 2018 | | Asset £ |
| Timing differences | | <u>3,613</u> |

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

8 Investments in subsidiaries, joint ventures and associates

| | 2019 £ | 2018 £ |
|-----------------------------|-----------|-----------|
| Investments in subsidiaries | <u>1</u> | <u>1</u> |
| Subsidiaries | | £ |
| Cost | | |
| At 1 April 2018 | | <u>1</u> |
| Carrying amount | | |
| At 31 March 2019 | | <u>1</u> |
| At 31 March 2018 | | <u>1</u> |

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking | Registered office | Holding | Proportion of voting rights and shares held | |
|---|--|----------|--|------|
| | | | 2019 | 2018 |
| Subsidiary undertakings | | | | |
| Medicines Discovery Catapult Services Limited | Mereside, Alderley Park, Alderley Edge, Macclesfield, Cheshire, SK10 4TG | Ordinary | 100% | 100% |

The principal activity of Medicines Discovery Catapult Services Limited is to provide commercial research and collaboration services for the development of medicines.

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

9 Tangible assets

| | Short term leasehold improvements £ | Laboratory equipment £ | Furniture and fixtures £ | IT Equipment £ | Total £ |
|------------------------|--|------------------------------|--------------------------------|-------------------|------------------|
| Cost | | | | | |
| At 1 April 2018 | 1,612,293 | 3,464,485 | 101,820 | 278,150 | 5,456,748 |
| Additions | 153,885 | 700,410 | 35,952 | 426,865 | 1,317,112 |
| Disposals | - | - | (786) | (737) | (1,523) |
| At 31 March 2019 | <u>1,766,178</u> | <u>4,164,895</u> | <u>136,986</u> | <u>704,278</u> | <u>6,772,337</u> |
| Depreciation | | | | | |
| At 1 April 2018 | 131,439 | 358,430 | 19,729 | 80,992 | 590,590 |
| Charge for the year | <u>326,966</u> | <u>720,825</u> | <u>57,882</u> | <u>151,857</u> | <u>1,257,530</u> |
| At 31 March 2019 | <u>458,405</u> | <u>1,079,255</u> | <u>77,611</u> | <u>232,849</u> | <u>1,848,120</u> |
| Carrying amount | | | | | |
| At 31 March 2019 | <u>1,307,773</u> | <u>3,085,640</u> | <u>59,375</u> | <u>471,429</u> | <u>4,924,217</u> |
| At 31 March 2018 | <u>1,480,854</u> | <u>3,106,055</u> | <u>82,091</u> | <u>197,158</u> | <u>4,866,158</u> |

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

10 Debtors

| | 2019 £ | 2018 £ |
|---|------------------|----------------|
| Trade debtors | 3,276 | - |
| Amounts owed by subsidiary undertakings | 81,771 | - |
| Other debtors | 469,486 | 358,690 |
| Prepayments and accrued income | 2,948,596 | 429,123 |
| | <u>3,503,129</u> | <u>787,813</u> |

11 Cash and cash equivalents

| | 2019 £ | 2018 £ |
|--------------|----------------|----------------|
| Cash at bank | <u>632,318</u> | <u>640,099</u> |

12 Creditors

| | Note | 2019 £ | 2018 £ |
|---------------------------------|------|------------------|------------------|
| Due within one year | | | |
| Trade creditors | | 2,007,718 | 173,187 |
| Social security and other taxes | | 185,810 | 106,830 |
| Other creditors | | 140,807 | 106,065 |
| Accrued expenses | | 213,006 | 146,270 |
| Corporation tax liability | 7 | 17,453 | 5,440 |
| Deferred income | | <u>6,519,282</u> | <u>5,766,938</u> |
| | | <u>9,084,076</u> | <u>6,304,730</u> |

13 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £319,817 (2018 - £133,542)

Contributions totalling £50,016 (2018 - £28,255) were payable to the scheme as at the 31 March 2019.

14 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Not later than one year | 376,182 | 198,480 |
| Later than one year and not later than five years | 1,752,399 | 793,920 |
| Later than five years | <u>1,459,120</u> | <u>661,600</u> |
| | <u>3,587,701</u> | <u>1,654,000</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £289,891 (2018 - £188,556)

MEDICINES DISCOVERY CATAPULT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

15 Commitments

Capital commitments

The total amount to which the Catapult was committed to but not provided in the financial statements was £Nil (2018 - £57,075).

16 Related party transactions

Summary of transactions with key management

Key management personnel are considered to be the directors of the company and key management personnel compensation is disclosed in note 7 to the financial statements.

Summary of transactions with other related parties

During the period the company had transactions relating to the establishment of operating with BPE Solicitors LLP amounting to £46,733 (2018 - £43,482). The amounts owed to BPE Solicitors LLP at 31 March 2019 were £60 (2018 - £1,965).

R Bryan, a director (resigned on 31 December 2018) of the Catapult, is also key management personnel of BPE Solicitors LLP.

17 Financial instruments

Categorisation of financial instruments

| | 2019 £ | 2018 £ |
|---|--------------------|------------------|
| Financial assets that are debt instruments measured at amortised cost | 187,817 | - |
| Financial assets that are equity instruments measured at cost less impairment | 1 | 1 |
| Financial liabilities measured at amortised cost | <u>(2,411,547)</u> | <u>(401,330)</u> |
| | <u>(2,223,729)</u> | <u>(401,329)</u> |

18 Company status

The company is a private company limited by guarantee and consequently does not have share capital. The guarantor is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.