Albany Molecular Research (Glasgow) Limited

Directors' report and financial statements

For the year ended 31 December 2019
Registered number SC181282

Albany Molecular Research (Glasgow) Limited

Contents

Albany Molecular Research (Glasgow) Limited

Directors

CMD Froggatt
MB Coppola
S Phillips

Auditors

RSM UK Audit LLP
Third Floor, Centenary House
69 Wellington Street,
Glasgow, G2 6HG

Bankers

JP Morgan Chase Bank
125 London Wall
London
EC2Y 5AJ

Solicitors

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Registered Office

Todd Campus,
West Of Scotland Science Park,
Acre Road,
Glasgow, G20 0XA

Strategic Report

Principal activities

The principal activities of the Company are the provision of research and development services into drug formulation and sterile manufacturing supporting clients' drug development activities.

Review of the business and future developments

Albany Molecular Research (Glasgow) Limited specialises in pre-clinical pharmaceutical formulation development and in the manufacture of sterile clinical trial supplies.

Its aim is to create a mutually beneficial long-term partnership that facilitates and accelerates customers' pre-clinical development of prospective pharmaceuticals.

The Albany Molecular Research (Glasgow) (AMRI Glasgow) business operates in the fastest growing market segment of the pharmaceutical outsourcing market. Double-digit growth is forecasted to continue for this sector through the coming years driven by the growth in biologics and the oncology market. We are well placed to deliver the growth that we require since we have a service offering that spans both the biologics and cytotoxic/oncology compounds.

The business mix of the site is driven mainly by manufacturing activities that comprise approximately 55% of the revenue with the remainder of the revenue split equally between product development and quality control/stability testing. Manufacturing is the major revenue stream and has operated the same approach since the start of the company. To deliver the growth required, a new strategy has been adopted to meet the needs of the market and to increase sales in this growing market.

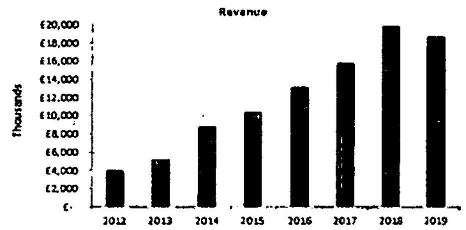
The company is developing a global customer base with revenue generated worldwide. The company invoices in three different currencies (GBP, USD and EUR).

The directors continue to focus on growing the company with steady growth over the last five years. The Company has a global sales model with a dedicated sales team for the site which has resulted in an increase of staff serving both the European and North American markets.

The Directors expect the business to continue to grow over the next five years. The impact of COVID-19 has been considered and following a review of the most recent projections and the expectations of on-going financing, the Directors are comfortable that the Company has sufficient resources to meet its liabilities as they fall due. As a result, the Directors do not believe that COVID-19 will have a material impact on the business.

The company financial statements have been prepared under International Financial Reporting Standards (IFRS's) as adopted by the EU.

	2019	2018
Revenue	£18,805,980	£19,899,626
Operating Profit	£9,003,476	£9,982,930
Equity shareholders' funds	£145,353,895	£139,457,350
Current assets as a % of current liabilities	106%	108%



Research and development

The Company carries out research and development in connection with the principal activity of providing products and services to customers. The majority of the activities pursued by the company are part of customers' research and development programmes.

Principal risks and uncertainties

Financial risk management objectives and policies

The company carries out credit checks on new customers, when new agreements are entered into. These checks are carried out by a central Group function located at the Head Offices of Albany Molecular Research, Inc. (AMRI).

Liquidity Risk

The Directors have considered the cash requirements of the business and they consider that the company is able to generate sufficient cash to ensure that it has funds to meet its obligation as they become due. These include trade payables and employee salary costs.

The Directors consider that the company will continue to have adequate resources to operate as a going concern in the foreseeable future.

Foreign Currency Risk

Foreign currency risk arises from the fluctuation in the exchange rates for transactions that the Company enters into. During the period the Company has had sales in foreign currencies (USD and EUR) and no hedging activity is undertaken to mitigate any exchange risk. Surplus foreign currency is remitted to other Group companies within the US and European regions.

Other operating risks

The Directors have considered the impact of the UK decision to leave the European Union (Brexit), but at this stage do not consider that any actions are necessary. As the impact of the Brexit decision becomes clearer the Directors will consider what options they have in negotiating future contracts with customers, in particular the currency of contractual arrangements.

C Froggatt
Director
Date. 31 August 2020

Directors' report

The Directors present their annual report and the audited financial statements of Albany Molecular Research (Glasgow) Limited (the Company) for the year ended 31 December 2019.

The Directors who held office during the period were as follows;

CMD Froggatt
MB Coppola
S Phillips

None of the Directors who held office at the end of the financial year had any notifiable interest in the shares of the Company. Only one of the directors, Chris Froggatt received remuneration from the Company. The remaining Directors are remunerated directly by AMR Inc., the ultimate parent company, and their interests in shares or share options of that Company are disclosed in their financial statements.

Political and charitable donations

The Company made a charitable or political donations during the year of £448 (2018: £nil).

Proposed dividends

The Directors decided not to declare a dividend in the year (2018: £5,500,000).

Research and Development

The Company is not actively involved in activities in the field of research and development.

Financial instruments

Details of the use of financial instruments and financial risk management are included in Note 14 to the Accounts contained in these Financial statements, which details re incorporated by reference into this Directors' Report.

Employment policies

The Directors are committed to maintaining and developing communication and consultation processes with employees. Employees are encouraged to be involved directly in the performance of the Company through shared objectives, performance reviews and training and development opportunities. It is the policy of the Company that there should be no unfair discrimination in recruiting and promoting staff,

Workforce engagement

The Company puts a lot of focus on trying to attract and retain talent within the organisation. The Human Resources team work closely with departments within the Company to ensure that where there is need to recruit that the right people are selected. There has been continued success within the Company in retaining employees with emphasis on employee surveys, regular employee engagement events and ensuring that success is rewarded. Finally the Company is continually evolving and monitoring its training needs to ensure that employees are appropriately skilled to carry out their role and have support to help them develop within the business.

Customer and supplier engagement

The Company values our customers and their feedback and places great importance on the responses that are collected on a quarterly basis through the customer survey.

Our suppliers are also key to ensuring the success in meeting the Company's deliverables by working closely with the suppliers to develop effective long standing relationships to ensure that the quality and timing of delivery are met.

Post balance sheet events

The impact of COVID-19 has been considered by the Directors but they do not believe that it will have a material impact on the Company in either the short or long term. The impact of COVID-19 on the Global economy has been significant but the Directors are comfortable that the Company has sufficient resources to meet its financial obligations as they fall due. As a result no financial provisions were considered necessary.

Albany Molecular Research (Glasgow) Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report and 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 elected to prepare the financial statements of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 In preparing the financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent,
c. state whether they have been prepared in accordance with IFRS as adopted by the EU.
d. 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

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to be taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

During the year, the Company appointed RSM UK Audit LLP. At the AGM it was decided to reappoint RSM UK Audit LLP as the auditor.

C Froggatt

Director
Date: 31 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBANY MOLECULAR RESEARCH (GLASGOW) LIMITED

Opinion

We have audited the financial statements of Albany Molecular Research (Glasgow) Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflow and related 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinions on other matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBANY MOLECULAR RESEARCH (GLASGOW) LIMITED (continued)

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

RSM UK Audit LLP

Linda Gray (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG
Date 1 September 2020

Statement of comprehensive income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Revenue	2	18,805,980	19,899,626
Cost of sales		(7,846,114)	(8,242,295)
Gross profit		10,959,866	11,657,331
Administrative expenses		(1,956,391)	(1,674,401)
Results from operating activities	3	9,003,476	9,982,930
Finance income	6	4,873,470	4,970,370
Finance costs	6		
-Interest expenses on lease liabilities		(239,554)	-
-Other finance costs		(5,146,371)	(5,377,967)
Total finance costs	6	(5,385,925)	(5,377,967)
Net finance costs / Income		(512,455)	(407,597)
Profit before taxation		8,491,021	9,575,333
Taxation	7	(2,594,476)	(927,151)
Profit after taxation		5,896,545	8,648,182

There was no other comprehensive income in the current or prior financial period, as a result no separate statement of other comprehensive income has been disclosed.

Statement of financial position

As at 31 December 2019
Company No. SC131282

	Notes	31 December 2019 £	31 December 2018 (restated) £
Assets			
Non-current assets			
Property, plant and equipment	8		
-Owned assets		3,383,755	2,726,912
-Right-of-use assets		3,225,467	-
Total property, plant and equipment		6,609,222	2,726,912
Investment in subsidiary	10	135,954,611	128,492,799
Deferred tax assets	9	-	32,735
		142,563,833	131,252,446
Current assets			
Inventories	11	652,460	556,024
Trade and other receivables	12	124,994,159	122,460,472
Cash and cash equivalents		-	798,024
		125,646,639	123,814,520
		268,210,472	255,066,966
Non-current liabilities			
Lease liabilities		(3,799,847)	-
Deferred tax liability	9	(104,066)	-
Other liabilities	13	-	(754,122)
		(3,903,913)	(754,122)
Current liabilities			
Lease liabilities		(190,956)	-
Trade and other payables	13	(118,761,707)	(114,855,494)
		(118,952,663)	(114,855,494)
Net Assets		145,353,895	139,457,350
Shareholders' Equity			
Issued Capital	18	126,066,108	126,066,108
Retained Earnings		18,206,930	12,310,385
Share Premium	19	1,080,857	1,080,857
Total Equity		145,353,895	139,457,350

These financial statement were approved by the board of directors on 31 August 2020 and were signed on its behalf by:

C Froggatt
Director
Date:

The notes on pages 14 to 26 form part of the financial statements

Statement of changes in equity

As at 31 December 2019

	Share Capital	Share Premium Account	Retained Earnings	Total
	£	£	£	£
At 31 December 2017	126,066,108	1,080,857	5,601,141	132,748,106
Profit for the period	-	-	8,648,182	8,648,182
Dividends paid in the year	-	-	(1,938,938)	(1,938,938)
At 31 December 2018 (restated)	126,066,108	1,080,857	12,310,385	139,457,350
Profit for the period	-	-	5,896,545	5,896,545
At 31 December 2019	126,066,108	1,080,857	18,206,930	145,353,895

The notes on pages 14 to 26 form part of the financial statements

Statement of cashflow

For the year ended 31 December 2019

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Cash flows from operating activities		
Profit before tax	8,491,021	9,575,333
Adjustments for non-cash income and expenses:		
- Depreciation & impairment	458,651	500,258
- Loss on disposal of property, plant & equipment	-	-
- Government Grants	39,571	(13,014)
Profit before tax before changes in working capital & provisions	8,989,243	10,062,577
Changes in operating assets and liabilities:		
Decrease in trade and other receivables	(459,039)	(964,853)
Increase in inventories	(96,454)	(134,604)
Decrease in trade and other payables	5,399,769	7,465,281
(Increase)/decrease in non-current payables	(754,122)	54,887
Cash generated from operations	13,079,397	16,483,288
Interest received on intercompany loan	-	-
Net cash from operating activities	13,079,397	16,483,288
Cash flows from investing activities		
Purchases of property, plant & equipment	(4,340,961)	(518,492)
Investment in subsidiary undertaking	(7,461,812)	(1,356,978)
Net cash used in investing activities	(11,802,773)	(1,875,470)
Cash flows from financing activities		
Dividends paid to ordinary shareholders	-	(5,500,000)
Loan to intercompany party	(2,074,648)	(8,732,416)
Net cash used in financing activities	(2,074,648)	(14,232,416)
Net (decrease) / increase in cash and cash equivalents	(798,024)	375,403
Cash and cash equivalents at beginning of period	798,024	422,621
Cash and cash equivalents at end of period	-	798,024

Reconciliation of net cashflow to movement in net debt

	£	£
Net (decrease) / Increase in cash for the period	(798,024)	375,403
Change in net debt resulting from cashflows	(798,024)	375,403
Net debt at 31 December 2018	798,024	422,621
Net debt at 31 December 2019	-	798,024
Cash and Cash Equivalents	-	798,024

The notes on pages 14 to 26 form part of the financial statements

Notes to the financial statements

As at 31 December 2019

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention and comply with International Financial Reporting Standards (IFRSs) as adopted by the EU and their interpretations adopted by the International Accounting Standards Board (IASB).

These financial statements present information about the Company as an individual undertaking. The Company has subsidiary undertakings, but has taken advantage of the exemption from preparing consolidated accounts which is permitted under S 401 of the Companies Act 2006. The consolidated financial statements of AMR Inc. within which this company is included, can be obtained from the details given in note 22.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

The financial statements have been prepared on the going concern basis. The company made a profit before tax of £8,491,021 for the year ended 31 December 2019. The Company in 2020 is forecasted to make a profit before tax in the region of £8.5m and as a result continues to be very cash generative.

The Directors expect the business to continue to grow over the next five years. The impact of COVID-19 has been considered and the Directors do not believe this will have a material impact on the business with the business expecting to benefit from COVID-19 drug development projects. Following a review of the most recent cash flow forecasts, the Directors believe that the Company has sufficient resources to settle its obligations as they fall due. The Directors therefore believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Revenue Recognition

On 1 January 2018 the The Company has applied IFRS 15 prospectively using the practical expedient not to restate for contract extensions before 1 January 2018.

In adopting IFRS15 for the treatment of revenue earned from customer contracts, the Company has applied the following five step model;

1. Identification of the contract - agreement signed by both parties, must identify each party's rights and be both enforceable and have commercial substance.
2. Identify the performance obligations - the Company's contracts identify a list of tasks within each project. The Company reviews these to identify the tasks which are distinct and which need to be bundled together. In addition the Company identifies the tasks which should be recognised over time and those that should be recognised at a point in time.
3. Determine the transaction price - as outlined in the Company's customer agreement pricing table
4. Allocation of price to performance obligations - as outlined in the Company's customer agreement pricing table
5. Recognition of revenue - A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case, it is deemed to be satisfied over time: (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company's performs. (ii) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. (iii) the Company's performance does not create an asset with an alternative use to the entity and the Company has an enforceable right to payment for performance completed to date. Where revenue is recognised on a contract over time, judgement must be made to determine how complete a task is at a point of time by comparing the time and cost spent on the task compared to the planned time and cost as well as estimating the future time and cost to be spent to complete the task. The Directors believe that the methods used provide a faithful depiction of the transfer of goods or services.

The Company may recognise revenue on a task over several months. The payment terms for revenue recognised by the business ranges from 30-60 days from date of invoice.

Notes to the financial statements (continued)

Taxation

Current tax is calculated as the expected tax credit or payable on the taxable loss or income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to the tax payable or credit in respect of previous years.

Deferred tax is provided, without discounting, using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax movements are recognised directly in the income statement as part of the net profit or loss for the period, except where the tax arises from a transaction that is accounted for directly in equity and is therefore likewise recognised directly in the equity of the company.

Property, plant and equipment

Items of property, plant and equipment are stated at the cost of acquisition or development cost less accumulated depreciation and impairment losses. The cost assigned to the asset includes, where relevant, the cost of the asset, direct labour and other costs involved in bringing the asset into

Where parts of an item of property, plant and equipment have materially different useful economic lives, they are accounted for as separate items of property plant & equipment.

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible assets on a straight-line basis over their estimated useful economic lives as follows:

Leasehold land and buildings	-	Shorter of related lease term or estimated useful life
Plant and laboratory fixtures	-	Shorter of related lease term and 20 years
Machinery and equipment	-	5 years
Computer equipment and software	-	3 years

Depreciable leased assets were initially measured at an amount equal to the lease liability and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Leased assets were depreciated over the shorter of the lease term and the useful life of the asset.

Investment in subsidiary

Investments in subsidiary undertakings are reported at cost less any amounts written off.

Impairment

The carrying value of the Company's assets, other than stocks and deferred tax, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Where the Directors identify a reduction in the recoverable amount of an asset below its carrying value the carrying value of the asset is impaired to its estimated recoverable amount.

The recoverable amount of an asset is the greater of its net realisable value and value in use. The calculation of the value in use of the affected asset reflects the Directors' and executive management's best current estimate of the present value of future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal. Where possible the affected asset is considered separately as an

Where future cash flows have not accounted for inflation a discounting factor is not applied in the calculation of the present value of future cash flows. Where material to the accounts the impairment of an asset is disclosed separately in the income statement under the statutory heading to which it relates.

First-time adoption of IFRS16 Leases

During the year, the company adopted IFRS 16 'Leases' (IFRS 16) for the first time, IFRS 16 replaces IAS 17 'Leases'.

The group previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the group, and 'operating leases'.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term.

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The accounting for leases previously accounted for as finance leases under IAS 17 has not changed substantially, except that residual value guarantees are recognised under IFRS 16 at amounts expected to be payable rather than the maximum amount guaranteed, as required by IAS 17.

The right-of-use assets recognised at 1 January 2019 were assessed for impairment. Any impairment losses have been recognised in profit or loss.

Initial and subsequent measurement of the right-of-use asset

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the company.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS16 at 31 December 2019.

	As previously reported under IAS 17 (£)	IFRS16 adjustments (£)	As reported in 2019 £
Property, plant and equipment	3,383,755	3,225,467	6,609,222
Lease liabilities - current	-	(190,956)	(190,956)
Lease liabilities - non current	-	(3,799,847)	(3,799,847)
Accrued expenses - non current	(776,718)	776,718	-
Cost of sales	(7,595,178)	(250,936)	(7,846,114)
Net finance costs	(752,010)	239,555	(512,455)

Notes to the financial statements (continued)

Leased property – On a straight-line basis over the shorter of the lease term and the useful life of 15 years

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.
An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the company incurs the obligation for these costs.

The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

Leases – The Company as lessee

On commencement of a contract (or part of a contract) which gives the company the right to use an asset for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets

Leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the company is reasonably certain to exercise and termination periods that the company is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate (such as those linked to LIBOR) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Termination penalties are included in the lease payments if the lease term has been adjusted because the compnay reasonably expects to exercise an option to terminate the lease.

The exercise price of an option to purchase the leased asset is included in the lease liability when the company is reasonably certain to exercise that option.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Company's policy on borrowing costs (see page 5).

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the company's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect, and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate use is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

Notes to the financial statements (continued)

Significant judgements and major sources of estimation uncertainty

The company has determined that all leases of assets with a value, when new, of £10,000 or less, will be classified and accounted for as 'low-value' leases.

The group applies judgement in determining whether individual leases can be accounted for as a portfolio. The judgements include an assessment of whether the leases share similar characteristics and whether the financial statements would be materially different if each lease was accounted for individually.

In determining the lease term the group assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events of changes in circumstances occur that are within the lessee's control.

The group uses judgement to assess whether the interest rate implicit in the lease is readily determinable.

When the interest rate implicit in the lease is not readily determinable, the group estimates the incremental borrowing rate based on its external borrowings secured against similar asset, adjusted for the term of the lease.

The group estimates the amount expected to be paid under a residual value guarantee taking into consideration current market prices for similar assets of a similar age and condition and the remaining term of the lease.

The group makes estimates of the cost of restoring leased assets to their original condition when required to do so under the terms and conditions of the lease. Those estimates are based on the current condition of the leased assets and past experience of restoration costs.

Foreign currencies

Transactions in foreign currencies are recorded

Monetary assets and liabilities denominated in foreign currencies are re-translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

Non-monetary assets and liabilities measured at fair value and denominated in foreign currencies are re-translated using the rate of exchange ruling at the dates on which fair value is determined and the gains or losses on translation are included in the income statement.

Employee benefits

The Company contributes to the individual private pension schemes of the employees. The amount charged against income represents the contributions payable to the private pension schemes of the Company employees in respect of the accounting period.

Inventories

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

In the Statement of financial position (SOFP) stocks are valued at historical cost determined on a first-in first-out basis, and this value is used for the costs of goods sold in the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Provisions

A provision is recognised in the SOFP when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Reserves

The share capital account contains the nominal value of the issue shared capital. Further details are outlined in Note 18.
The share premium account contains the difference between the par value of a company's shares and the amount that the company actually received for newly issued shares. This reserve is non-distributable.
The retained earnings account contains the earnings generated in prior years less amounts distributed to shareholders.

Financial assets/liabilities

Financial assets and liabilities held for purposes of short term profit are classified as held for trading and are recognised at fair value and subsequent to initial recognition are re-valued to their fair value at each balance sheet date. Any difference between carrying value and the fair

Long term debt liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing assets/borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the instrument on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

Notes to the financial statements (continued)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants are only recognised once assurance can be given to show that the Company will comply with any conditions attached to them and that the grants have been received.

Grants in respect of capital expenditure are credited to deferred income on the balance sheet and are released to the income statement by equal instalments over the expected useful lives of the assets to which they were intended to compensate.

Grants related to income are credited to the profit and loss account in the same period as the related expenditure.

The Company has no unfulfilled conditions and other contingencies attached to government assistance that has already been recognised.

Borrowing costs

The costs of borrowing are expensed on an accruals basis in the period to which they relate.

2. Revenue

Revenue from contracts with customers

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

	2019	2018
	£	£
Major products/service lines		
Rendering of services	18,805,980	19,899,626
Primary geographical markets		
America	5,489,948	9,025,724
UK	3,868,147	4,492,700
Europe	6,113,138	1,502,223
Rest of the World	3,334,747	4,878,979
Total	18,805,980	19,899,626
Timing of transfer of goods or services		
Products and services transferred at a point in time	2,790,230	2,021,809
Products and services transferred over time	16,015,750	17,877,817
Total		

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 1 January 2018.

	Note	As at 31 December 2019	As at 31 December 2018
		£	£
Receivables	12	2,596,254	2,372,302
Contract assets	12	870,754	574,351
Contract liabilities	13	(1,604,777)	(1,987,702)
		1,862,231	958,951

The contract assets primarily relate to the company's rights to consideration for work completed but not billed at the reporting date on the rendering of services. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for the rendering of services.

The amounts included in receivables will include revenue already recognised in the year with the remainder expected to be recognised in the next 12 months. However it is possible given the nature of the business that Customers could pay up front for work not expected to be completed in the upcoming 12 month period.

The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £1,637,532.

(iii) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2019	2018
	£	£
Rendering of services	870,754	£574,351

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Fees payable to the Company's auditors for the audit of the annual financial statements	17,000	30,000
Depreciation	458,651	500,258
Operating lease rentals	411,674	446,791
Foreign exchange loss / (gain)	74,633	(9,374)
Government grants recognised in the Income statement	-	(20,886)

Notes to the financial statements (continued)

4. Prior period adjustment

In 2019, a prior year adjustment was made to correct an accounting error where the dividends receivable from the parent company, Albany Molecular Research Limited were duplicated in prior years.

The impact on the balance sheet and profit and loss account are as below.

Changes to the balance sheet

	At 31 December 2018		
	As previously reported	Adjustment	As restated
	£	£	£
Current liabilities			
Amounts owed to group companies	115,214,288	(3,561,062)	111,653,226
Net assets	135,896,288	3,561,062	139,457,350
Capital and reserves			
Retained earnings	8,749,323	3,561,062	12,310,385

Changes to the profit and loss account

	Year ended 31 December 2018		
	As previously reported	Adjustment	As restated
	£	£	£
Dividends paid	5,500,000	(3,561,062)	1,938,938
Profit for the financial year	8,648,182	-	8,648,182

5. Staff numbers and costs

The number of persons employed by the Company at the end of the year, analysed by category was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Administration	9	10
Production, research and development	88	78
	97	88

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Wages and salaries	3,597,724	3,103,834
Social security costs	342,337	280,359
Other pension costs	226,551	187,094
	4,166,612	3,571,287

Directors' emoluments

One of the Directors of the Company was remunerated by the Company.
The remaining Directors were remunerated by the parent company AMR Inc and they do not provide any services to the Company.

6. Net finance (costs) / income

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Government grants	12,124	20,886
Other interest	1,319	-
Interest expense on lease liabilities	(239,554)	-
Interest due from Group undertakings	4,860,027	4,949,484
Interest due to Group undertakings	(5,146,371)	(5,377,967)
	(512,455)	(407,597)

Notes to the financial statements (continued)

7. Taxation

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Current tax:		
Current tax on profits for the year	1,404,454	917,263
Adjustment in respect of prior periods	1,053,221	35,105
Total current tax	**2,457,675**	**952,368**
Deferred tax:		
Current year	130,843	(25,217)
Adjustment in respect of prior periods	5,958	-
Total deferred tax	**136,801**	**(25,217)**
Total tax in income statement	**2,594,476**	**927,151**

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019	2018
Profit on ordinary activities before taxation	8,491,021	9,575,333
Tax calculated using the UK corporation tax rate of 19% (2018 - 19%)	1,613,294	1,819,313
Effects of:		
Adjustment in respect of prior years	1,059,179	35,105
Expenses not deductible	825,032	-
Income not taxable	-	(14,695)
Movement in deferred tax balances previously not recognised	-	-
Effects of group relief / other reliefs	(908,261)	(912,572)
Tax rate changes	7,395	-
Total tax in income statement (see above)	**2,596,639**	**927,151**

Factors that may affect future tax charges.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. A further reductions to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset as at 31 December 2019 has been calculated based on those rates

Notes to the financial statements (continued)

8. Property, plant & equipment

	Land & Buildings	Plant & Equipment	Furniture & Fittings	Assets under Construction	Total
	£	£	£	£	£
Cost					
At 31 December 2017	825,447	4,269,854	117,837	1,563,348	6,776,486
Additions	-	-	-	518,492	518,492
Disposals	-	-	-	-	-
Transfer between classes	1,001,827	478,914	40,886.00	(1,521,627)	-
At 31 December 2018	1,827,274	4,748,768	158,723	560,213	7,294,978
Additions - owned assets	-	-	-	1,115,494	1,115,494
Additions - right-of-use assets	3,225,467	-	-	-	3,225,467
Disposals	-	-	-	-	-
Transfer between classes	101,194	1,102,400	100,660	(1,304,254)	-
At 31 December 2019	5,153,935	5,851,168	259,383	371,453	11,635,939
Accumulated depreciation					
At 31 December 2017	675,487	3,297,158	95,163	-	4,067,808
Depreciation for the year	186,594	299,045	14,619	-	500,258
Disposals	-	-	-	-	-
At 31 December 2018	862,081	3,596,203	109,782	-	4,568,066
Depreciation for the year	122,085	326,695	9,871		458,651
Disposals	-	-	-	-	-
At 31 December 2019	984,166	3,922,898	119,653	-	5,026,717
Carrying amount					
At 31 December 2019	4,169,769	1,928,270	139,730	371,453	6,609,222
At 31 December 2018	965,193	1,152,565	48,941	560,213	2,726,912
At 31 December 2017	149,960	972,696	22,674	1,563,348	2,708,678

The carrying amounts of property, plant and equipment include right-of-use assets, at 31 December as detailed below;

	Company	
	December 31, 2019	December 31, 2018
	£	£
Carrying amount of right-of-use assets included within:		
-Land and buildings	3,225,467	-
Total carrying amount presented within 'property, plant and equipment'	3,225,467	-

9. Deferred Tax Assets

	December 31, 2019	December 31, 2018
	£	£
Deferred tax assets		
Fixed assets	-	29,104
Temporary differences trading	-	3,631
	-	32,735
Movements in the year		
Opening balance at the beginning of the year	32,735	7,518
Credited to the income statement	(32,735)	25,217
Closing balance at the end of the year	-	32,735

10. Fixed asset investments

	December 31, 2019	December 31, 2018
	£	£
Investment in subsidiary undertakings	135,954,611	126,492,799

On 22 December 2016 Albany Molecular Research Limited transferred 100% of its investment in Evergreen Srl, a company registered in Italy, to Albany Molecular Research (Glasgow) Limited in exchange for the issue of 12,326,515,772 ordinary shares of £0.01 each to Albany Molecular Research UK Limited.

On July 22nd 2019, the company made a capital contributions to its subsidiary Evergreen S.r.l. of $3.0m (£2,364k) and on 5 April 2018 a further contribution of €5.67m (£5,096k)

11. Inventories

	December 31, 2019	December 31, 2018
	£	£
Raw materials & consumables	652,480	556,024
	652,480	556,024

The inventory recorded at 31 December 2018 which was recognised as an expense in the period ended December 31 2019 amounted to £389,864.

Notes to the financial statements (continued)

12. Trade and other receivables

	December 31, 2019 £	December 31, 2018 £
Trade receivables	2,596,254	2,372,302
Receivables from group undertakings	682,526	630,999
Loans to group undertaking	120,594,103	118,519,455
Prepaid expenses	69,320	54,126
VAT recoverable	181,202	219,094
Accrued income	870,754	574,351
Corporation tax recoverable	-	90,145
	124,994,159	122,460,472
Trade receivables includes a provision for bad debts of ?	206,548	9,223

The provision for bad debts is in relation to debts falling due as follows:

	December 31, 2019 £	December 31, 2018 £
Current	-	818
overdue 0-3 months	6,368	5,571
overdue 3-6 months	175,942	1,351
Overdue greater than 6 months	24,238	1,483
	206,548	9,223

Movements on the provision against trade receivables were as follows:

	At the end of the period £	At the end of the period £
At 31 December 2018	9,223	4,852
Change in provision for debtor impairment	197,325	4,371
Receivables written off during the period as uncollectible	-	-
At 31 December 2019	206,548	9,223

Credit risk management

All new customers are subject to formal credit checks. Credit terms for new customers cannot exceed 30 days without prior approval. New contracts and renewals with existing customers are subject to credit worthiness checks. Any existing or previous trading experiences are taken into account before making a recommendation on terms. All receivables 12 months overdue are provided in full unless there is clear evidence of collectability, All receivables greather than 30 days overdue are reviewed to determine if a collectability is uncertain and a provision is required. Any bad debts written off require prior approval.

13. Trade and other payables

Payable in less than one year	December 31, 2019 £	December 31, 2018 (restated) £
Trade payables	602,998	371,045
Amounts owed to group companies	114,128,166	111,653,226
Corporation tax payable	1,762,340	-
Lease liabilities	190,956	-
Accrued expenses and deferred income	2,268,204	2,831,223
	118,952,663	114,855,494

All of the trade and other payables above are payable within one year.

Payable in more than one year	December 31, 2019 £	December 31, 2018 £
Lease liabilities	(3,799,847)	-
Deferred tax liability	(104,066)	-
Accrued expenses (Rent)	-	754,122
	(3,903,913)	754,122

Included within amounts owed to Group Companies are 116,237,715 EUR (2018: 116,237,715 EUR) denominated 5% cumulative redeemable preference shares of €1 each were issued to Albany Molecular Research Limited, for a consideration of 116,237,715 EUR (2018: 116,237,715 EUR). The holders of the Preference Shares shall be entitled in priority to the holders of the Ordinary Shares in the capital of the Company to receive a cumulative 5% preferential cash dividend.
The Company has the right to redeem the whole or part of the preference shares not less than one week's notice in writing and no later than 31 December 2050.

A prior year adjustment was made to correct an accounting error where the dividends payable to the parent Company, Albany Molecular Research Limited were duplicated in prior years. The impact of this was to restate amounts due to Group undertakings from £115,214,288 to £111,653,226 a reduction of £3,561,062. A corresponding adjustment was made to restate retained earnings from £8,749,323 to £12,310,385.

Notes to the financial statements (continued)

14. Financial instruments

Fair values

The carrying values for each class of financial assets and liabilities in the statement of financial position, which are given below, are not considered to be materially different to their fair values. The basis for calculating fair values, where applicable, is set out in the accounting policy notes.

	Carrying Amount	*Carrying Amount*
	December 31, 2019	**December 31, 2018 (restated)**
	£	**£**
Trade and group receivables (note 12)	123,872,882	121,522,756
Cash and cash equivalents	-	798,024
Trade and other group payables (note 13)	(114,731,163)	(112,024,271)
Total Financial Instruments	9,141,719	10,296,509
Cash and cash equivalents	-	798,024.00
Trade and group receivables (note 12)	123,872,882	121,522,756
	123,872,882	122,320,780
Trade and other group payables (note 13)	(114,731,163)	(112,024,271)
Total financial liabilities measured at amortised cost	(114,731,163)	(112,024,271)
Total Financial Instruments	9,141,719	10,296,509

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business.

Credit and liquidity risk

Financial instruments that potentially subject the Company to concentrations of credit and liquidity risk consist primarily of cash, cash equivalents and accounts receivable The Company continually monitors its position with, and the credit quality of, the financial institutions, which are counterparties to its financial instruments, and does not anticipate non-performance. It is the Company's policy to monitor accounts receivable balances and chase late payments. The Company regularly reviews the credit worthiness of its customers in order to minimise credit risk.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £3,278,780 (2018 – £3,003,301) being the total of the carrying amount of financial assets shown in the table above.

There is not considered to be any credit risk in relation to cash and cash equivalents of £nil (2018 - £798,024).

Interest rate risk

The Directors have considered whether the Company is exposed to any interest rate risk but as the company does not have any interest bearing debts there is deemed to be no significant risks.

Financial instruments

The maximum exposure to credit risk for trade and group receivables at the year-end by geographic region was:

	December 31, 2019	**December 31, 2018**
	£	**£**
UK	662,638	450,782
Europe	842,974	583,736
America	1,297,300	1,370,925
Rest of the World	475,867	598,358
	3,278,780	3,003,301

	2019	**2018**
	£	**£**
Third party customers	2,596,254	2,372,302
Group undertakings	682,526	630,999
	3,278,780	3,003,301

The ageing of third party trade receivables along with associated doubtful debt provisions at the year-end was:

	Gross Trade Receivables		**Doubtful debt provision**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
	£	**£**	**£**	**£**
Not past due	2,074,363	1,541,878	-	-
Past due 0-30 days	311,789	602,633	-	-
Past due 31-180 days	294,232	146,006	(170,846)	(5,570)
Past due more than 180 days	91,681	91,008	(4,964)	(3,653)
	2,772,064	2,381,525	(175,810)	(9,223)

The above table shows the gross trade receivables balances including provisions against bad debt or doubtful debts (note 13).

Notes to the financial statements (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Market risk - Interest rate review:

The Company is exposed to interest rate risk through finance lease liabilities. With regard to these instruments the Company have no interest bearing liabilities.

Sensitivity analysis

There were no variable rate financial instruments held as at the balance sheet dates and as such no exposure to interest rate changes existed.

Foreign currency exchange risk

The Company conducts most of its sales in Pounds Sterling and therefore does not have a significant exposure to foreign currency fluctuations. Although some supplies are sourced from overseas companies and payments required in foreign currencies, primarily euros or US dollars, the timescales and value levels involved are not felt to result in significant exposure to foreign currency risk. The Company does not use any forward contracts or other similar derivatives in its managing of foreign currency risk.

The Company's exposure to foreign currency risk is as follows:

At 31 December 2019	*Sterling*	*Euro*	*US dollar*	*Total*
	£	*£*	*£*	*£*
Trade and group receivables (*)	1,121,411	144,133	2,013,235	3,278,780
Cash and cash equivalents	-	-	-	-
Trade and other payables	726,473	1,549,153	304,227	2,579,853
Total	1,847,884			5,858,633
Net Exposure		1,693,287	2,317,462	

At 31 December 2018 (restated)	*Sterling*	*Euro*	*US dollar*	*Total*
	£	*£*	*£*	*£*
Trade and group receivables (*)	1,003,914	363,570	1,635,817	3,003,301
Cash and cash equivalents	39,422	12,590	746,012	798,024
Trade and other payables	(2,270,636)	(109,753,635)	-	(112,024,271)
Total	(1,227,300)			(108,222,946)
Net Exposure		(109,377,475)	2,381,829	

* - excluding group loan (all of which is denominated in sterling).

15. Capital management

The Company's capital management objective is to ensure the company's ability to continue as a going concern.

The Company defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the statement of financial position.

The board of directors monitors the level of capital as compared to the Company's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The Company is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The directors believe that they have been able to meet their objectives in managing the capital of the Group.

16. Deferred Taxation

At 31 December 2019, the Company had recognised a deferred taxation liability of £104,066 (2018: asset of £32,735), details of which are shown in Note 9.

Notes to the financial statements (continued)

17. Leases

Lease liabilities of £3,799,847 are disclosed within non-current borrowings, and lease liabilities of £190,956 are disclosed within current borrowings on the face of the statement of financial position.

Disclosure of the carrying amounts of right-of-use assets by class and additions to right-of-use assets has been provided in the 'property, plant and equipment' note on page 21.

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Effect of leases on financial performance:		
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:		
- Land and buildings	183,335	-
Total depreciation charge on leased assets		
Effect of leases on cash flows:		
Total cash outflow for leases in the year	411,674	379,386

Maturity analysis of lease liabilities

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 December and the contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total At 31 December 2019
	£	£	£	£
Property leases	-	-	5,662,273	5,662,273

Initial application of IFRS16

The company has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 January 2019. Therefore, the comparative figures are as previously reported under IAS 17. The group has applied this approach subject to the transition provisions set out below.

- For all contracts that existed prior to 1 January 2019, the group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- A single discount rate has been applied to portfolios of leases with similar characteristics.
- The right-of-use assets have not been assessed for impairment at 1 January 2019, but have been reduced by the amount of any onerous lease provisions at that date.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

The amounts recognised for leases at 1 January 2019, have been measured as follows:

Operating leases under IAS 17, except 'low value' and 'short-term' leases

The lease liability is measured at the present value of the remaining lease payments at 1 January 2019, discounted at the lessee's incremental borrowing rate at that date.

The right-of-use asset is either:

- *measured as if IFRS 16 had been applied from commencement of the lease*, but using the lessee's incremental borrowing rate at 1 January 2019 to discount future payments; or
- measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 January 2019.

This measurement election has been made on a 'lease-by-lease' basis. The former has been applied to property leases and significant machinery leases and the latter has been applied to other machinery leases, office equipment leases and vehicle leases.

'Low-value' leases

When the value of the underlying asset (if new) at 1 January 2019 is £10,000 or less, the company has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

'Short-term' leases

Where the lease term ends before 31 December 2019, the company has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

Impact of transition

The weighted average incremental borrowing rate applied to lease liabilities recognised by the company at 1 January 2019 is 5.86%.

Notes to the financial statements (continued)

18. Share capital

	December 31, 2019 £	December 31, 2018 £
Allotted, called up and fully paid		
12,606,610,772 (2018: 12,606,610,772) Ordinary shares of £0.01p each	126,066,108	126,066,108

On 8 January 2015 Albany Molecular Research S.A.R.L. acquired 100% of the shares in AMR (Glasgow) Limited.

As part of an internal restructure, on July 11, 2015, AMR (Glasgow) Limited was transferred from Albany Molecular Luxembourg Sarl to Albany Molecular Research Limited.

On 22 December 2016 Albany Molecular Research (Glasgow) Limited issued 12,326,515,772 ordinary shares of £0.01 each to Albany Molecular Research Limited, for a consideration of £123,265,157.72.

19. Share Premium

The balance on share premium account of £1,080,857 may not be distributed under section 829 and 830 of the Companies Act 2006.

20. Pensions

The pension cost charge for the year was £ 226,551 (2018 – £187,094).
The amount paid by the Company for the benefit of the Directors is detailed in Note 5.

21. Related party transactions

All related party transactions are made on an arm's length basis.

The outstanding intercompany debtors and creditors with group companies have been detailed in notes 12 and 13. The cumulative intercompany transactions in the year end 31st December 2019 were sales of £nil and purchases of £9,350. These amounts are not considered material to the company.

The Company provides remuneration to one Director, with the remaining Directors remunerated by the parent company, AMR Inc.

22. Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is Albany Molecular Research Incorporated, which is incorporated in the United States of America. On 31st August 2017, Albany Molecular Research Incorporated was acquired by affiliates of The Carlyle Group and affiliates of GTCR LLC.
Copies of the financial statements for Albany Molecular Research Incorporated are available from its registered office: 26 Corporate Circle, Albany, NY.