

**Albany Molecular Research (Glasgow) Limited**

**Directors' report and financial statements**

For the year ended 31 December 2017  
Registered number SC181282



**Directors**

L M Henderson (Resigned 4<sup>th</sup> December 2017)

W Marth (Resigned 7th February 2018)

MB Coppola (Appointed 20<sup>th</sup> February 2018)

PM Feuerman (Appointed 4<sup>th</sup> December 2017)

CMD Froggatt (Appointed 30th June 2017)

**Auditors**

KPMG LLP

319 St Vincent Street

Glasgow

G2 5AS

**Bankers**

JP Morgan Chase Bank

125 London Wall

London

EC2Y 5AJ

**Solicitors**

DLA Piper UK LLP

Princes Exchange

Princes Square

Leeds

LS1 4BY

**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.

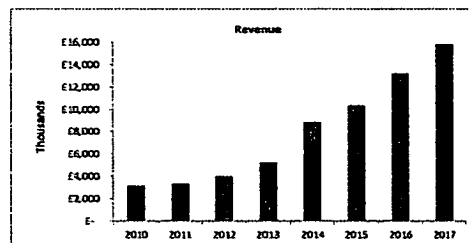
Investment has been made into an automated filling machine which enhances the service offering to better suit the market needs. This is more attractive to clients and also has the joint benefit of being able to offer higher returns per batch and to enable us to retain clients for longer during their project development and thus decrease the churn in business. Reflective of current and anticipated growth AMRI (Glasgow) has made a significant investment in the expansion of the warehouse, with work completed in Q3 2017.

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 showing significant growth in turnover and profit before tax in 2017. 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 company financial statements have been prepared under International Financial Reporting Standards (IFRS's) as adopted by the EU.

	2017	2016
Revenue	£15,883,923	£13,225,486
Operating Profit	£6,591,636	£5,349,581
Equity shareholders' funds	£132,748,106	£132,516,634
Current assets as a % of current liabilities	103%	114%



## 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 LLC (AMRI LLC).

### *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.

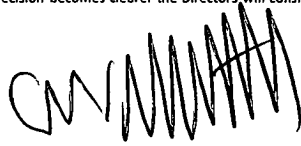
### *Foreign Currency Risk*

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 it has in negotiating future contracts with customers, in particular the currency of contractual arrangements.

C Froggatt  
Director  
Date:

  
25/09/18

## 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 2017.

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

L M Henderson (Resigned 4<sup>th</sup> December 2017)  
W Marth (Resigned 7th February 2018)  
MB Coppola (Appointed 20<sup>th</sup> February 2018)  
PM Feuerman (Appointed 4<sup>th</sup> December 2017)  
CMD Froggatt (Appointed 30th June 2017)

None of the Directors who held office at the end of the financial year had any notifiable interest in the shares of the Company. The Directors receive no remuneration from the Company. They are remunerated directly by AMRI 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 no charitable or political donations during the year (2016: £nil).

### Proposed dividends

The Directors do not recommend the payment of a dividend (2016: £nil).

### 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, including applicants who are disabled.

### 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, 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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.

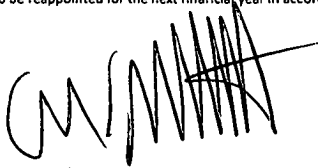
**Auditors**

KPMG LLP are deemed to be reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006.

C Froggatt

Director

Date:

  
25/09/18

## **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 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cashflow, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

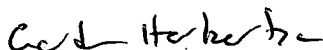
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Gordon Herbertson (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS

28 September 2018

**Statement of comprehensive income**

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Revenue	2	15,883,923	13,225,486
Cost of sales		(7,207,936)	(5,257,485)
<b>Gross profit</b>		<b>8,675,987</b>	<b>7,968,001</b>
Administrative expenses		(2,084,351)	(2,618,420)
<b>Results from operating activities</b>	3	<b>6,591,636</b>	<b>5,349,581</b>
Finance income	6	3,503,945	133,953
Finance costs	6	(3,338,467)	(67,405)
<b>Net finance income</b>		<b>165,478</b>	<b>66,548</b>
<b>Profit before taxation</b>		<b>6,757,114</b>	<b>5,416,129</b>
Taxation	7	(1,267,435)	(1,097,192)
<b>Profit after taxation</b>		<b>5,489,679</b>	<b>4,318,937</b>

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 2017

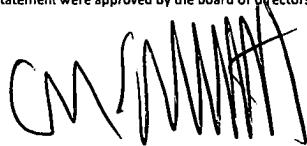
Company No. SC181282

	Notes	31 December 2017 £	31 December 2016 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,708,678	1,604,716
Investment in subsidiary	10	127,135,821	123,265,158
Rental deposits		16,500	21,976
Deferred tax assets	9	7,518	59,891
		<u>129,868,517</u>	<u>124,951,741</u>
<b>Current assets</b>			
Inventories	11	421,420	564,991
Trade and other receivables	12	112,746,704	58,081,146
Cash and cash equivalents		422,621	2,622,447
		<u>113,590,745</u>	<u>61,268,584</u>
		<u>243,459,262</u>	<u>186,220,325</u>
<b>Non-current liabilities</b>			
Other liabilities	13	(699,235)	(85,146)
		<u>(699,235)</u>	<u>(85,146)</u>
<b>Current liabilities</b>			
Trade and other payables	13	(110,011,921)	(53,618,545)
		<u>(110,011,921)</u>	<u>(53,618,545)</u>
<b>Net Assets</b>		<u>132,748,106</u>	<u>132,516,634</u>
<b>Shareholders' Equity</b>			
Issued Capital	17	126,066,108	126,066,108
Retained Earnings		5,601,141	5,369,669
Share Premium	18	1,080,857	1,080,857
<b>Total Equity</b>		<u>132,748,106</u>	<u>132,516,634</u>

These financial statement were approved by the board of directors on

25/09/18

and were signed on its behalf by:

C Froggatt  
Director  
Date:


The notes on pages 12 to 22 form part of the financial statements

## Statement of changes in equity

As at 31 December 2017

	Share Capital	Share Premium Account	Retained Earnings	Total
	£	£	£	£
At 31 December 2015	2,800,950	1,080,857	1,050,732	4,932,539
Profit for the period	-	-	4,318,937	4,318,937
Issued in the year	123,265,158	-	-	123,265,158
At 31 December 2016	126,066,108	1,080,857	5,369,669	132,516,634
Profit for the period	-	-	5,489,679	5,489,679
Dividends paid in the year	-	-	(5,258,207)	(5,258,207)
Issued in the year	-	-	-	-
At 31 December 2017	126,066,108	1,080,857	5,601,141	132,748,106

The notes on pages 12 to 22 form part of the financial statements

**Statement of cashflow**

For the year ended 31 December 2017

Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Cash flows from operating activities</b>		
Profit before tax	6,757,114	5,416,129
<i>Adjustments for non-cash income and expenses:</i>		
- Depreciation & impairment	391,765	78,228
- Loss on disposal of property, plant & equipment	15,678	-
- Government Grants	34,283	-
<b>Profit before tax before changes in working capital &amp; provisions</b>	<b>7,198,840</b>	<b>5,494,357</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in trade and other receivables	609,653	119,516
Decrease / (increase) in inventories	143,571	(345,102)
(Decrease) / Increase in trade and other payables	(1,699,583)	1,034,117
Increase in non-current payables	614,089	39,269
<b>Cash generated from operations</b>	<b>6,866,570</b>	<b>6,342,156</b>
Interest received on intercompany loan	-	-
<b>Net cash from operating activities</b>	<b>6,866,570</b>	<b>6,342,156</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant & equipment	(1,511,405)	(337,045)
Acquisitions	(3,870,663)	0
<b>Net cash used in investing activities</b>	<b>(5,382,068)</b>	<b>(337,045)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to ordinary shareholders	(5,258,207)	-
Acquisition of preference shares	56,843,613	49,764,895
Loan to intercompany party	(55,269,734)	(54,062,266)
<b>Net cash used in financing activities</b>	<b>(3,684,328)</b>	<b>(4,297,371)</b>
Net (decrease) / increase in cash and cash equivalents	(2,199,826)	1,707,740
Cash and cash equivalents at beginning of period	2,622,447	914,707
<b>Cash and cash equivalents at end of period</b>	<b>422,621</b>	<b>2,622,447</b>
<b>Reconciliation of net cashflow to movement in net debt</b>		
	£	£
Net (decrease) / Increase in cash for the period	(2,199,826)	1,707,740
Change in net debt resulting from cashflows	(2,199,826)	1,707,740
Net debt at 31 December 2016	2,622,447	914,707
Net debt at 31 December 2017	422,621	2,622,447
<b>Cash and Cash Equivalents</b>	<b>422,621</b>	<b>2,622,447</b>

The notes on pages 12 to 22 form part of the financial statements

## Notes to the financial statements

As at 31 December 2017

### 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 AMRI Inc, within which this company is included, can be obtained from the details given in note 21.

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 £6,757,114 for the year ended 31 December 2017. The Company in 2018 is forecasted to make a profit before tax in the region of £8.4m and as a result continues to be very cash generative.

For these reasons, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustments that might arise if the going concern basis for the preparation of the financial statements was not appropriate.

#### *Revenue recognition*

Revenue generated from the sale of manufactured deliverables is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. This revenue may be recognised if the following conditions are met:

1. Persuasive evidence of an arrangement exists
  - There must be a signed contract or explicit agreement from the customer regarding the arrangement
2. Delivery has occurred or services have been rendered
  - Physical delivery to the customer or the carrier (depends on contract/PO incoterms)
  - Title and risk of loss transfer to the customer
3. Price is fixed or determinable
  - The price must be agreed to with the customer prior to revenue recognition
4. Collectability is reasonably assured
  - Disputes with the customer generally result in the presumption that collectability is not reasonably assured

The company adopts the accounting policy in respect of clinical batch material manufactured by the Company, where it is stored under a 'bill and hold' arrangement. These bill and hold arrangements with customers are where, for business reasons the customer requires the Company to store the product on a temporary basis. Certain conditions must be met in order that the revenue can be recognised on such arrangements. These conditions are that:

1. The buyer, not the seller, must request that the transaction be on a bill and hold basis. The buyer must have a substantial business purpose for ordering the goods on a bill and hold basis.
2. There must be a fixed schedule for delivery of the goods. The date for delivery must be reasonable and must be consistent with the buyer's business purpose (e.g., storage periods are customary in the industry).
3. The risks of ownership must have passed to the buyer.
4. The seller must not have retained any performance obligations such that the earning process is not complete.
5. The ordered goods must have been segregated from the seller's inventory and not be subject to being used to fill other orders.
6. The product must be complete and ready for shipment.

Revenue from the delivery of service agreements is recognised when earned and realisable based upon the performance requirements of the respective agreements. Advance payments received in excess of amounts earned are recorded as deferred revenue.

No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

#### *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.

## Notes to the financial statements (continued)

### *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 working condition and the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

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

### *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 income-generating unit.

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.

### *Leased assets*

Assets acquired under leases in terms of which substantially all the risks and rewards of ownership are transferred to the Company are capitalised as finance leases and the outstanding future lease obligations are shown in liabilities. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease. Where benefits have been received as an incentive to sign a lease these are spread on a straight line basis over the lease term.

### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

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.

## Notes to the financial statements (continued)

### **Stocks**

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 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.

In accordance with the Company's environmental policy and applicable legal requirements, a provision for site restoration is recognised in the SOFP.

### **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 value is immediately recognised in the Income statement.

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.

### **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.

### **Borrowing costs**

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

**Notes to the financial statements (continued)*****New accounting standards and amendments affecting the Company***

No new standards have impacted the group in the current financial year.

The most significant standards and interpretations which have been issued, although not yet endorsed by the EU, with an effective date after the date of these financial statements are as follows:

IFRS 15 Revenue from Contracts with Customers – specifies how and when revenue is recognised, using a principles based five-step model. This will be effective for the Group in 2018 and may have an impact on the timing of recognition of the group's revenue.

IFRS 9 Financial Instruments – simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items. This will be effective for the Group in 2018/19.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, but are reviewing the impact currently.

**2. Revenue**

The entire revenue is generated through the sale of services to customers. A split of the revenue by region is shown below:

Region	Year ended 31 Dec 2017		Year ended 31 Dec 2016	
	% Split	£	% Split	£
America	37%	5,932,982	51%	6,786,969
UK	19%	3,062,508	32%	4,206,062
Europe	33%	5,200,996	14%	1,909,050
Rest of the World	11%	1,687,437	3%	323,405
		<u>15,883,923</u>		<u>13,225,486</u>

**3. Operating profit**

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Fees payable to the Company's auditors for the audit of the annual financial statements	32,683	30,000
Depreciation	391,765	78,228
Loss on disposal of fixed assets	15,678	-
Operating lease rentals	495,529	350,879
Foreign exchange loss / (gain)	52,678	(367,114)
Government grants recognised in the Income statement	(44,862)	(17,687)

**Notes to the financial statements (continued)****4. 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 2017 £	Year ended 31 December 2016 £
Administration	11	10
Production, research and development	76	74
	<b>87</b>	<b>84</b>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Wages and salaries	3,620,915	2,929,737
Social security costs	330,581	302,077
Other pension costs	178,597	163,198
	<b>4,130,093</b>	<b>3,395,012</b>

**Directors' emoluments**

The Directors of the Company are remunerated by the parent company AMRI Inc. The Directors do not provide any services to the Company.

**5. Research and development costs**

No costs have been incurred in relation to research and development in the period (2016 - Enil).

**6. Net finance costs**

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Government grants	44,862	17,687
Interest due from Group undertakings	3,459,083	116,266
Interest due to Group undertakings	(3,338,467)	(67,405)
	<b>165,478</b>	<b>66,548</b>



## Notes to the financial statements (continued)

## 7. Taxation

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Current tax:</b>		
Current tax on profits for the year	1,302,955	825,853
Adjustment in respect of prior periods	(87,893)	1,020
<b>Total current tax</b>	<b>1,215,062</b>	<b>826,873</b>
<b>Deferred tax:</b>		
Current year	52,373	276,059
Adjustment in respect of previous periods	-	(1,826)
Effect of changes in tax rates	-	(3,914)
<b>Total deferred tax</b>	<b>52,373</b>	<b>270,319</b>
<b>Total tax in income statement</b>	<b>1,267,435</b>	<b>1,097,192</b>
The charge for the year can be reconciled to the profit per the income statement as follows:		
	<b>2017</b>	<b>2,016</b>
Profit on ordinary activities before taxation	6,757,114	5,416,129
Tax calculated using the UK corporation tax rate of 19.25% (2016 – 20%)	1,300,744	1,083,227
<b>Effects of:</b>		
Adjustment in respect of prior years	(87,893)	(806)
Expenses not deductible	653,471	111,856
Income not taxable	-	(93,171)
Movement in deferred tax balances previously not recognised	35,471	-
Effects of group relief / other reliefs	(634,358)	-
Tax rate changes	-	(3,914)
<b>Total tax in income statement (see above)</b>	<b>1,267,435</b>	<b>1,097,192</b>

**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. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset as at 31 December 2017 has been calculated based on those rates.

## Notes to the financial statements (continued)

## 8. Property, plant &amp; equipment

	Land & Buildings £	Plant & Equipment £	Furniture & Fittings £	Assets under Construction £	Total £
<b>Cost</b>					
At 31 December 2015	648,515	3,813,519	301,677	241,170	5,004,881
Additions	162,918	172,997	1,130	-	337,045
Disposals	-	-	(13,609)	-	(13,609)
Transfer between classes	(6,588)	271,323	(162,548)	(102,187)	-
At 31 December 2016	804,845	4,257,839	126,650	138,983	5,328,317
Additions	-	-	-	1,511,405	1,511,405
Disposals	-	(54,423)	(8,813)	-	(63,236)
Transfer between classes	20,602	66,438	-	(87,040)	-
At 31 December 2017	825,447	4,269,854	117,837	1,563,348	6,776,486
<b>Accumulated depreciation</b>					
At 31 December 2015	546,366	3,006,392	106,224	-	3,658,982
Depreciation for the year	40,468	40,837	(3,077)	-	78,228
Disposals	-	-	(13,609)	-	(13,609)
At 31 December 2016	586,834	3,047,229	89,538	-	3,723,601
Depreciation for the year	88,653	289,333	13,779	-	391,765
Disposals	-	(39,404)	(8,154)	-	(47,558)
At 31 December 2017	675,487	3,297,158	95,163	-	4,067,808
<b>Carrying amount</b>					
At 31 December 2017	149,960	972,696	22,674	1,563,348	2,708,678
At 31 December 2016	218,011	1,210,610	37,112	138,983	1,604,716
At 31 December 2015	102,149	807,127	195,453	241,170	1,345,899

## 9. Deferred Tax Assets

	December 31, 2017 £	December 31, 2016 £
<b>Deferred tax assets</b>		
Fixed assets	862	34,491
Temporary differences trading	6,656	25,400
	7,518	59,891
<b>Movements in the year</b>		
Opening balance at the beginning of the year	59,891	330,210
Credited to the income statement	(52,373)	(270,319)
Closing balance at the end of the year	7,518	59,891

## 10. Fixed asset investments

	December 31, 2017 £	December 31, 2016 £
Investment in subsidiary undertakings	127,135,821	123,265,158

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.

During 2017, the company made additional capital contributions to its subsidiary Evergreen S.r.l. of \$3.2m (£2,572k) on 14 February 2017, \$1m (£775k) on 16 May 2017, €156k (£142k) and \$491k (£381k) on 16 August 2017

## 11. Inventories

	December 31, 2017 £	December 31, 2016 £
Work in progress	167,133	356,092
Raw materials & consumables	254,287	208,899
	421,420	564,991

## 12. Trade and other receivables

	December 31, 2017 £	December 31, 2016 £
Trade receivables	2,631,521	3,171,395
Receivables from group undertakings	793	-
Loans to group undertaking	109,787,039	54,517,304
Prepaid expenses	106,147	31,081
VAT recoverable	14,101	51,186
Accrued income	172,456	310,180
Corporation tax recoverable	34,647	-
	112,746,704	58,081,146
Trade receivables includes a provision for bad debts of :	4,852	66,667

Movements on the provision against trade receivables were as follows:

	At the beginning of the period £	At the end of the period £
At 31 December 2016	136,091	66,667
Change in provision for debtor impairment	(131,239)	172,317
Receivables written off during the period as uncollectible	-	(102,893)
At 31 December 2017	4,852	136,091

## Notes to the financial statements (continued)

## 13. Trade and other payables

	December 31, 2017 £	December 31, 2016 £
<i>Payable in less than one year</i>		
Trade payables	227,415	307,784
Amounts owed to group companies	107,119,615	50,331,024
Corporation tax payable	531,935	826,873
Accrued expenses and deferred income	2,132,956	2,152,864
	<u>110,011,921</u>	<u>53,618,545</u>

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

	December 31, 2017 £	December 31, 2016 £
<i>Payable in more than one year</i>		
Accrued expenses (Rent)	699,235	85,146
	<u>699,235</u>	<u>85,146</u>

Included within amounts owed to Group Companies are 116,237,715 EUR (2016: 58,288,405 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 (2016: 58,288,405 EUR). On 31 August 2017, 57,949,310 EUR denominated 5% cumulative redeemable preference shares of €1 each were issued. 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.

## 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 December 31, 2017 £	Carrying Amount December 31, 2016 £
Trade and group receivables (note 12)	112,419,353	57,688,699
Cash and cash equivalents	422,621	2,622,447
Trade and other group payables (note 13)	(107,347,030)	(50,638,808)
<b>Total Financial Instruments</b>	<b>5,494,944</b>	<b>9,672,338</b>
Cash and cash equivalents	422,621	2,622,447
Trade and group receivables (note 12)	112,419,353	3,171,395
	<u>112,841,974</u>	<u>5,793,842</u>
Trade and other group payables (note 13)	(107,347,030)	(50,638,808)
<b>Total financial liabilities measured at amortised cost</b>	<b>(107,347,030)</b>	<b>(50,638,808)</b>
<b>Total Financial Instruments</b>	<b>5,494,944</b>	<b>(44,844,966)</b>

## Notes to the financial statements (continued)

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 £2,632,314 (2016 – £3,171,395) 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 £422,621 (2016 - £2,622,447).

### 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, 2017 £	December 31, 2016 £
UK	884,847	971,306
Europe	910,356	468,428
America	791,235	1,606,753
Rest of the World	45,876	124,908
	<b>2,632,314</b>	<b>3,171,395</b>
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Third party customers	2,631,521	3,171,395
Group undertakings	793	-
	<b>2,632,314</b>	<b>3,171,395</b>

The ageing of trade receivables & Group undertakings along with associated doubtful debt provisions at the year-end was:

	Gross Trade & Group Receivables		Doubtful debt provision	
	December 31, 2017 £	December 31, 2016 £	December 31, 2017 £	December 31, 2016 £
Not past due	1,588,867	1,650,536	-	-
Past due 0-30 days	913,891	1,048,981	-	-
Past due 31-180 days	143,273	409,208	(2,155)	(81,311)
Past due more than 180 days	(9,658)	198,761	(2,697)	(54,780)
	<b>2,636,373</b>	<b>3,307,486</b>	<b>(4,852)</b>	<b>(136,091)</b>

The above table shows the gross trade receivables/group undertakings balances including provisions against bad debt or doubtful debts (note 12). At the year end there were £nil group undertakings aged more than 120 days (2016 - £nil).

### 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

**Notes to the financial statements (continued)***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:

<b>At 31 December 2017</b>	<b>Sterling £</b>	<b>Euro £</b>	<b>US dollar £</b>	<b>Total £</b>
Trade and group receivables (*)	1,379,803	229,606	1,022,905	2,632,314
Cash and cash equivalents	66,803	29,076	326,742	422,621
Trade and other payables	(586,600)	(106,608,510)	(151,920)	(107,347,030)
<b>Total</b>	<b>860,006</b>			<b>(104,292,095)</b>
<b>Net Exposure</b>		<b>(106,349,828)</b>	<b>1,197,727</b>	

<b>At 31 December 2016</b>	<b>Sterling £</b>	<b>Euro £</b>	<b>US Dollar £</b>	<b>Total £</b>
Trade and group receivables	1,113,686	319,237	1,738,472	3,171,395
Cash and cash equivalents	246,097	79,972	2,296,378	2,622,447
Trade and other payables	(816,711)	(49,764,896)	(57,201)	(50,638,808)
<b>Total</b>	<b>543,072</b>			<b>(44,844,966)</b>
<b>Net Exposure</b>		<b>(49,365,687)</b>	<b>3,977,649</b>	

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

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.

**15. Deferred Taxation**

The elements of deferred taxation result in a deferred tax asset of £7,518 (2016: £59,891) at the end of the year (Note 9).

**16. Commitments**

The company leases a building under a long-term operating lease:

	<b>Year ended 31 December 2017 £</b>	<b>Year ended 31 December 2016 £</b>
Future lease payments:		
Within 1 year	483,807	363,528
Between 2 and 5 years	1,935,231	1,454,112
In more than 5 years	3,991,413	3,362,639
	<b>6,410,451</b>	<b>5,180,279</b>
	<b>Year ended 31 December 2017 £</b>	<b>Year ended 31 December 2016 £</b>
Amount expended in the period in respect of operating leases	495,529	350,879

The building is on a lease that terminates as outlined below:

<b>Leased property</b>	<b>Rent review date</b>	<b>Lease break Clause</b>	<b>Lease termination date</b>
Block K, Todd Campus	No rent review in 15 year period	No Break	4th April 2031

## Notes to the financial statements (continued)

### 17. Share capital

	December 31, 2017 £	December 31, 2016 £
<b>Allotted, called up and fully paid</b> 12,606,610,772 (2016: 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.

### 18. 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.

### 19. Pensions

The pension cost charge for the year was £ 178,597 (2016 – £163,198).

The amount paid by the Company for the benefit of the Directors is detailed in Note 4.

### 20. Related party transactions

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

The Company provides no remuneration or compensation in any form to those directors employed by its parent company.

The Directors are remunerated by the parent company AMRI Inc.

### 21. 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.