

Aquila Biomedical Limited
Annual report and financial statements
for the 14 month period ended 31 December 2017

Registered number: SC393914 (Scotland)

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Aquila Biomedical Limited

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Aquila Biomedical Limited

Company information

The board of directors	SM Anderton P McCluskey J Handley CL Doris
Registered office	Exchange Tower 19 Canning Street Edinburgh EH3 8EH
Auditor	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester M3 3HF United Kingdom
Bankers	Clydesdale Bank plc 40 St Vincent Place. Glasgow G1 2HL

Aquila Biomedical Limited

Strategic report

The Directors, in preparing this strategic report, have complied with s414(c) of the Companies Act 2006.

Principal activity

The principal activities during the period continued to be the provision of immunology, immune-oncology and specialist histology pre-clinical contract research services.

Business environment

The Company provides pre-clinical services principally to clients discovering and developing treatments for cancer, autoimmune diseases and in regenerative medicine.

Change of ownership

As at the 31 December 2017, the Company's ultimate owner was Concept Life Sciences (Holdings) Limited, who acquired the Company on 23 October 2017. For further details see note 20.

Principal risks and uncertainties

Any business undertaking will involve some risk with many risk factors common to any business regardless of what sector it operates in. The Directors believe the following are the principal risks and uncertainties impacting the Company:

Legislative risk

The pharmaceuticals and agrochemical sectors are subject to a high level of regulatory change and requirements which need to be monitored to ensure services are fully compliant. This is mitigated by rigorous monitoring and compliance procedures.

Competitive risks

Customers currently outsource pre-clinical contract research but could develop their own in-house capabilities. This risk is mitigated by providing a cost-effective problem solving solution to add value for customers. The expertise of the scientific and research teams is a significant factor in retaining customers.

The size of customer research and development budgets is driven by the status of the global pharmaceutical market which can impact on the level of business secured.

Financial instruments risk

The Company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The Company manages these risks by financing its operations through retained profits, supplemented by funding provided by its parent undertaking where needed.

The management objectives are to retain sufficient liquid funds to enable the Company to meet its day to day requirements, with sufficient future cash flows expected to arise from the Company's trading activities.

The Company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Aquila Biomedical Limited

Strategic report (continued)

Financial instruments risk (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss to another party by failing to discharge an obligation. The Company assesses the risk of contracting with each customer and sets credit limits which are carefully monitored. If a significant risk is identified credit facilities are withdrawn and transactions are carried out on a cash basis. If a key customer was significantly affected by a difficult trading environment this would have a short term impact on the Company.

The Directors continue to endeavour to manage these risks and uncertainties to the extent possible within the business.

Key performance indicators

Performance is monitored through the production of budgets, forecasts and monthly management information. The key performance indicators of the business are considered to be revenue and profit before taxation as disclosed in the profit and loss account.

Business performance

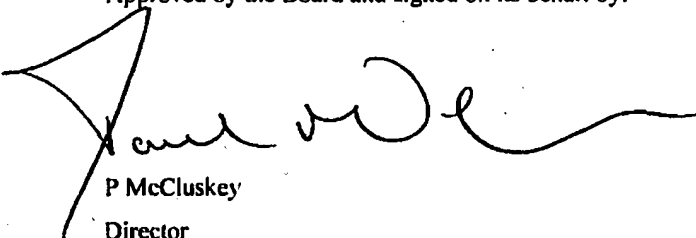
Revenue in the 14 month period was £2.9m compared to £1.4m in the year ended 31 December 2016. The profit for the period, after taxation, amounted to £0.9m compared to £0.6m in the year ended 31 December 2016.

Future developments

The Directors expect the general level of activity to increase in the forthcoming year as Aquila build and improve on their customer relationships.

Approval

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P. McCluskey', is written over a large, stylized, handwritten 'X' mark.

P McCluskey

Director

27 September 2018

Aquila Biomedical Limited

Directors' report

The Directors' present their report and the audited financial statements of the Company for the period ended 31 December 2017.

Results and dividends

The results for the period ended 31 December 2017 and financial position of the Company are as shown in the profit and loss account and balance sheet. The Directors do not recommend the payment of a dividend (2016: £nil).

Research and development

The Company's primary activities result in the undertaking of research and development on behalf of its customer base.

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

Events after the balance sheet date

On 25 January 2018, Spectris plc, a company listed on the London Stock Exchange, acquired 100% of the share capital of Concept Life Sciences (Holdings) Limited, the ultimate parent company of Aquila Biomedical Limited. The Concept Group acquisition was made on a debt and cash-free basis and therefore the external borrowings which included the bank loan and loan notes were fully paid down.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Directors

The Directors, who served throughout the period and thereafter, except as noted, were as follows:

SM Anderton

MJ Fort (appointed 23 October 2017, resigned 31 August 2018)

P McCluskey (appointed 23 October 2017)

J Handley (appointed 23 October 2017)

CL Doris

SA Boa (resigned 23 October 2017)

A Templeton (resigned 23 October 2017)

H Marriage (resigned 23 October 2017)

J Waddell (appointed 10 September 2017, resigned 23 October 2017)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Aquila Biomedical Limited

Directors' report (continued)

Auditor

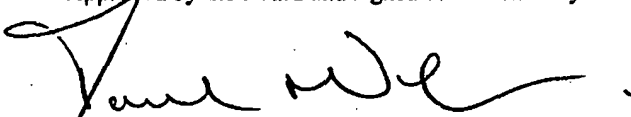
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were appointed as auditor during the prior period and will be reappointed for another term.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P. McCluskey', written over a horizontal line.

P McCluskey
Director
27 September 2018

Aquila Biomedical Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Aquila Biomedical Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQUILA BIOMEDICAL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aquila Biomedical Limited (the 'company'):

- 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 period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

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

Aquila Biomedical Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQUILA BIOMEDICAL LIMITED (CONTINUED)

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 period 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.

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 any material misstatements in the strategic report or the directors' report.

Aquila Biomedical Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQUILA BIOMEDICAL LIMITED (CONTINUED)

Matters on which we are required to report by exception

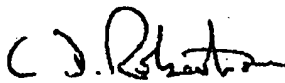
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

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.



Christopher Robertson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

27 September 2018

Aquila Biomedical Limited

Profit and Loss Account

For the period ended 31 December 2017

	Note	14 month period ended 31 December 2017 £	Year ended 31 December 2016 £
Revenue	2	2,933,929	1,373,207
Cost of sales		(690,611)	(292,981)
Gross profit		2,243,318	1,080,226
Administrative expenses		(1,132,043)	(461,347)
Administrative expenses excluding exceptional items		(902,625)	(461,347)
Exceptional items	4	(229,418)	-
Other operating income		74,331	33,107
Operating profit	4	1,185,606	651,986
Interest receivable		-	-
Interest payable and similar charges	3	(12,552)	(8,442)
Profit on ordinary activities before taxation		1,173,054	643,544
Tax on profit on ordinary activities	7	(243,390)	(82,274)
Profit for the financial period/year		929,664	561,270

All amounts relate to continuing activities.

There were no items of other comprehensive income in the current period or prior year, other than the profits shown above. No separate statement of total comprehensive income has therefore been presented.

Aquila Biomedical Limited

Statement of Changes in Equity **For the period ended 31 December 2017**

	Called-up share capital £	Share premium £	Profit and loss account £	Total equity £
As at 31 October 2015	136	247,714	(237,045)	10,805
Total comprehensive income for the year	-	-	561,270	561,270
As at 31 October 2016	136	247,714	324,225	572,075
Total comprehensive income for the period	-	-	929,664	929,664
Issue of share capital	14	16,936	-	16,950
As at 31 December 2017	150	264,650	1,253,889	1,518,689

Aquila Biomedical Limited

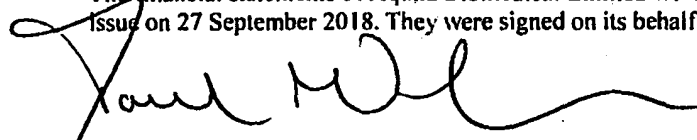
Balance Sheet

As at 31 December 2017

	Note	As at 31 December 2017 £	As at 31 December 2016 £
Fixed assets			
Intangible assets	8	11,987	19,978
Tangible assets	9	623,874	182,312
		<u>635,861</u>	<u>202,290</u>
Current assets			
Stocks	10	25,000	-
Debtors	11	1,591,215	434,717
Cash at bank and in hand		416,868	320,568
		<u>2,033,083</u>	<u>755,285</u>
Creditors: amounts falling due within one year	12	<u>(1,124,412)</u>	<u>(325,784)</u>
Net current assets		<u>908,671</u>	<u>429,501</u>
Total assets less current liabilities		1,544,532	631,791
Creditors: amounts falling due after one year	13	-	(26,943)
Provisions for liabilities	14	(25,843)	(32,773)
Net assets		<u>1,518,689</u>	<u>572,075</u>
Capital and reserves			
Called-up share capital	15	150	136
Share premium account		264,650	247,714
Profit and loss account		1,253,889	324,225
Shareholders' funds		<u>1,518,689</u>	<u>572,075</u>

Registered number: SC393914

The financial statements of Aquila Biomedical Limited were approved by the board of directors and authorised for issue on 27 September 2018. They were signed on its behalf by:


P McCluskey
Director

Aquila Biomedical Limited

Notes to the financial statements **For the period ended 31 December 2017**

1. Accounting policies

Aquila Biomedical Limited (the "Company") is a private company, limited by shares, registered in Scotland. Incorporated and domiciled in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of *International Financial Reporting Standards* as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Concept Life Sciences (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Concept Life Sciences (Holdings) Limited are prepared in accordance with *International Financial Reporting Standards* as adopted by the EU, and are available to the public and may be obtained from Companies House.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosure in respect of capital management
- The effect of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements of Concept Life Sciences (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 *Financial Instruments Disclosures*

The accounting policies set out below have, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

These financial statements are presented in pounds sterling.

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The Company's business activities, together with the factors likely to affect its future development, position and strategy, are set out in the Strategic report on pages 4 and 5.

Aquila Biomedical Limited

Notes to the financial statements (continued) **For the period ended 31 December 2017**

1. Accounting policies (continued)

Going concern

The Directors are required to satisfy themselves as to whether the financial statements of the Company should be prepared on the going concern basis. As part of the ongoing duties and activities of the Board there is continual assessment of the Company's financial and commercial performance. This review considers business risks and uncertainties that exist and takes account of how wider economic circumstances can impact these, including due consideration and assessment of potentially adverse and testing situations. The Board looks forward and appropriate forecasts of financial performance and assessments of future business opportunities and challenges are regularly made. Following this review the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow into the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

The accounting for this revenue depends on whether the outcome of a transaction can be reliably measured or not:

- If the outcome of a transaction involving the rendering of services can be reliably measured, the revenue associated with the transaction will be recognised by reference to the stage of completion (percentage of completion method). As a result the revenue for all transactions which can be estimated on a reliable basis corresponds to the revenue agreed in the contract, adjusted by the stage of completion of the work performed.
- If the outcome of a transaction involving the rendering of services cannot be measured reliably, revenue will only be recognised to the extent of the incurred expenses as long as they are deemed to be recoverable.

Expected losses are recognised when it is probable that total contract costs will exceed total contract revenue. The expected loss is recognised as an expense immediately.

The stage of completion of an analysis or piece of research work is determined by the services performed to date as a percentage of the total analysis or research work to be performed.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and are transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the technical and commercial feasibility of the project has been demonstrated, the future economic benefits are probable, the Company has an intention and ability to complete and use or sell the asset and the costs can be measured reliably. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit. Provision is made for any impairment.

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

1. Accounting policies (continued)

Intangible fixed assets

The intellectual property acquired by the company is being amortised over its useful estimated life of 5 years.

Tangible fixed assets

Owned assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost represents purchase price together with any incidental costs of acquisition. Where parts of an item of tangible fixed assets have different useful economic lives, they are accounted for as separate items of tangible fixed assets.

Leased assets

Assets funded through finance leases and similar hire purchase contracts are capitalised as fixed assets where the Company assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within creditors.

Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element which reduces the outstanding obligation for future instalments so as to give a constant charge on the outstanding obligation.

All other leases are accounted for as operating leases and the rental costs, are charged to the profit and loss account on a straight line basis over the life of the lease.

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land. Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant and Machinery	at varying rates on cost
Computer Equipment	at varying rates on cost

Taxation

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in respect of the initial recognition of assets and liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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.

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

1. Accounting policies (continued)

Pension costs

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and re-measured at each period end. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss account. The Company has elected not to apply hedge accounting.

Forward foreign currency contracts are recognised at fair value in the Balance Sheet with movements in fair value recognised in the profit and loss account for the period. The fair value of forward foreign currency contracts is the gain or loss that would result if the agreements were terminated at the reporting date, taking into account current foreign currency rates. Forward foreign currency contracts are classified within debtors or creditors as appropriate.

Trade and other debtors

Trade debtors are recognised at amortised cost less impairment losses. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade debtor is impaired. The movement in the provision is recognised in the profit and loss account.

Trade and other creditors

Trade and other creditors are non interest bearing and are stated at their cost.

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

1. Accounting policies (continued)

Interest payable and similar charges

Interest payable and similar charges comprise interest payable on obligations under finance leases. Interest payable and similar charges are recognised in the profit and loss account on an effective interest method.

Interest receivable and similar income

Interest receivable and similar income comprise interest receivable on funds invested. Interest receivable is recognised in the profit and loss account on an effective interest method.

Exceptional items

Exceptional items are those items that are unusual because of their size, nature or incidence, or that the Directors consider should be disclosed separately to enable a full understanding of the Company's results. Exceptional items have been presented separately on the face of the profit and loss account. The Directors consider that this presentation gives a fairer presentation of the results of the Company.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

Impairment of tangible fixed assets

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or cash-generating unit is not recoverable. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would be held (net of depreciation) if no impairment had been realised.

2. Revenue

The revenue is attributable to the one principal activity of the Company.

An analysis of revenue is given below:

	14 month period ended 31 December 2017 £	Year ended 31 October 2016 £
United Kingdom	1,366,700	604,568
Rest of the World	1,567,229	768,639
	<u>2,933,929</u>	<u>1,373,207</u>

Aquila Biomedical Limited

Notes to the financial statements (continued) For the period ended 31 December 2017

3. Interest payable and similar charges

	14 month period ended 31 December 2017 £	Year ended 31 October 2016 £
Interest payable on bank loans and overdrafts	4,505	1,489
Interest on hire purchase agreements	8,047	6,953
	<u>12,552</u>	<u>8,442</u>

4. Operating profit

Operating profit is stated after charging/(crediting):

	14 month period ended 31 December 2017 £	Year ended 31 October 2016 £
Depreciation of tangible fixed assets:		
- owned	23,143	-
- held under finance leases and hire purchase contracts	23,972	23,775
Operating lease rentals:		
- land and buildings	118,045	37,844
- plant and machinery	-	-
Auditors remuneration – audit services	9,000	-
Foreign exchange losses/(gains)	3,050	(736)
Exceptional items	<u>229,418</u>	<u>-</u>

Exceptional items relate to acquisition costs incurred in the period.

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

5. Staff costs

The average monthly number of employees (including executive directors) was:

	14 month period ended 31 December 2017 Number	Year ended 31 October 2016 Number
Operational	15	11
Sales	2	-
Administration	4	3
	<u>21</u>	<u>14</u>

5. Staff costs (continued)

Their aggregate remuneration comprised:

	£	£
Wages and salaries	666,595	292,894
Social security costs	29,942	9,984
Pension costs	14,528	-
	<u>711,065</u>	<u>302,878</u>

6. Directors' remuneration and transactions

	14 month period ended 31 December 2017 £	Year ended 31 October 2016 £
Directors' remuneration		
Emoluments	117,904	73,692
Company contributions to money purchase pension schemes	2,036	-
	<u>119,940</u>	<u>73,692</u>

During the period, retirement benefits were accruing to 1 (2016: 1) directors in respect of money purchase pension schemes.

Aquila Biomedical Limited

Notes to the financial statements (continued) For the period ended 31 December 2017

7. Tax on profit on ordinary activities

The tax charge comprises:

	14 month period ended 31 December 2017 £	Year ended 31 October 2016 £
Current tax		
UK corporation tax	241,683	49,501
Adjustment in respect of prior periods	8,637	-
Total current tax	250,320	49,501
Deferred tax		
Origination and reversal of timing differences	(4,095)	32,773
Effect of tax rate changes	(1,234)	-
Adjustment in respect of prior periods	(1,601)	-
Total deferred tax	(6,930)	32,773
Total tax charge on profit on ordinary activities	243,390	82,274

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	14 month period ended 31 December 2017 £	Year ended 31 October 2016 £
Profit on ordinary activities before tax	1,173,054	643,544
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.35% (2016: 20%)	226,986	128,709
Effects of:		
Expenses not deductible for tax purposes	49,216	-
Other movements	-	(46,435)
Changes in tax rates	(497)	-
Adjustment from previous periods	7,036	-
Group relief not paid for	(39,351)	-
Total tax charge for period/year	243,390	82,274

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

7. Tax on profit on ordinary activities (continued)

Legislation to reduce the main rate of UK corporation tax to 19% and 17% was passed by Parliament in September 2016 to take effect from 1 April 2017 and 1 April 2020. The reduction in the main rate to 18% had been substantively enacted at the balance sheet date and, therefore, the deferred tax assets and liabilities are calculated in these financial statements at this rate.

8. Intangible fixed assets

	Total £
Cost	
As at 1 November 2016 and 31 December 2017	61,310
Amortisation	
As at 1 November 2016	41,332
Charge for the period	7,991
As at 31 December 2017	49,323
Net book value	
As at 31 December 2017	11,987
As at 31 October 2016	19,978

9. Tangible fixed assets

	Plant and machinery £	Computer equipment £	Total £
Cost			
As at 1 November 2016	203,558	13,217	216,775
Additions	481,609	7,068	488,677
As at 31 December 2017	685,167	20,285	705,452
Depreciation			
As at 1 November 2016	30,777	3,686	34,463
Charge for the period	43,648	3,467	47,115
As at 31 December 2017	74,425	7,153	81,578
Net book value			
As at 31 December 2017	610,742	13,132	623,874
As at 31 October 2016	172,781	9,531	182,312

9. Tangible fixed assets (continued)

Hire purchase agreements

Aquila Biomedical Limited

Notes to the financial statements (continued) **For the period ended 31 December 2017**

Included within the net book value is £55,934 (2016: £69,917) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £23,972 (2016: £23,775).

10. Stocks

	As at 31 December 2017 £	As at 31 October 2016 £
Work in progress	<u>25,000</u>	<u>-</u>

11. Debtors

	As at 31 December 2017 £	As at 31 October 2016 £
Amounts falling due within one year:		
Trade debtors	249,525	417,096
Other debtors	324,740	17,621
Amounts owed by group undertakings	<u>1,016,950</u>	<u>-</u>
	<u>1,591,215</u>	<u>434,717</u>

Amounts owed by group undertakings are repayable upon demand. No interest is charged.

Aquila Biomedical Limited

Notes to the financial statements (continued) For the period ended 31 December 2017

12. Creditors – amounts falling due within one year

	As at 31 December 2017 £	As at 31 October 2016 £
Obligations under finance leases and hire purchase contracts	23,350	23,359
Trade creditors	578,502	58,430
Corporation tax	207,280	49,501
Other taxation and social security	15,264	8,904
Value added tax	-	27,807
Accruals and deferred income	300,016	157,783
	<u>1,124,412</u>	<u>325,784</u>

13. Creditors – amounts falling due after more than one year

	As at 31 December 2017 £	As at 31 October 2016 £
Obligations under finance leases and hire purchase contracts	-	26,943
	<u>-</u>	<u>26,943</u>

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

13. Creditors – amounts falling due after more than one year (continued)

As at 31 December 2017, the Company's liabilities under hire purchase agreements are analysed as follows:

	Minimum lease payments 2017 £	Present value of minimum lease payments 2017 £	Minimum lease payments 2016 £	Present value of minimum lease payments 2016 £
Amounts payable under hire purchase agreements:				
Within one year	26,386	23,350	26,396	23,359
Between one and five years	-	-	26,386	23,350
	<u>26,386</u>	<u>23,350</u>	<u>52,782</u>	<u>46,709</u>

It is the Company's policy to lease certain fixtures and equipment under finance leases. The finance leases are either 3 or 5 years. For the year ended 31 December 2017, the average effective borrowing rate was 13% (2016: 13%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

14. Deferred tax

	As at 31 December 2017 £	As at 31 October 2016 £
As at 1 November 2016	32,773	-
Profit and loss movement in the period/year	(5,329)	32,773
Adjustment in respect prior periods	(1,601)	-
As at 31 December 2017	<u>25,843</u>	<u>32,773</u>

The deferred tax consists of the tax effect of timing differences in respect of:

	As at 31 December 2017 £	As at 31 October 2016 £
Origination and reversal of timing differences	25,843	32,773
	<u>25,843</u>	<u>32,773</u>

Aquila Biomedical Limited

Notes to the financial statements (continued) **For the period ended 31 December 2017**

15. Called-up share capital

	As at 31 December 2017 No.	As at 31 December 2017 £	As at 31 October 2016 No.	As at 31 October 2016 £
Ordinary shares of £0.001 each	<u>15,145</u>	<u>150</u>	<u>13,600</u>	<u>136</u>

16. Financial commitments

As at 31 December 2017 the total future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2017 £	Plant and machinery 2017 £	Land and buildings 2016 £	Plant and machinery 2016 £
Within one year	<u>118,045</u>	<u>-</u>	<u>101,626</u>	<u>-</u>

Aquila Biomedical Limited

Notes to the financial statements (continued)

For the period ended 31 December 2017

17. Capital commitments

The Company has no capital commitments as at 31 December 2017 (31 October 2016: £nil).

18. Defined contribution pension scheme

The Company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £14,528 (2016: £nil).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

19. Controlling party

On 23 October 2017, the Company was acquired by Concept Life Sciences Integrated Discovery & Development Services Limited which was ultimately owned by Concept Life Sciences (Holdings) Limited, a company incorporated in the United Kingdom. The registered address is Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH. At 31 December 2017, Equistone Partners Europe LLP was the ultimate controlling party by virtue of its majority interest in the issued share capital of Concept Life Sciences (Holdings) Limited.

Concept Life Sciences (Holdings) Limited was the largest and smallest group in which the results of the Company are consolidated.

20. Events after the balance sheet date

On 25 January 2018, Spectris plc, a company listed on the London Stock Exchange, acquired 100% of the share capital of Concept Life Sciences (Holdings) Limited, the ultimate parent company of Aquila Biomedical Limited. The Concept Group acquisition was made on a debt and cash-free basis and therefore the external borrowings which included the bank loan and loan notes were fully paid down.