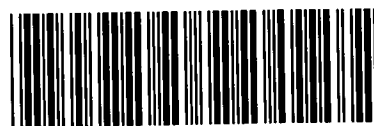


**Concept Life Sciences (Holdings) Limited**  
**Annual report and financial statements for**  
**the year ended 31 December 2017**

Registered number: 09046553

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# **Concept Life Sciences (Holdings) Limited**

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# **Concept Life Sciences (Holdings) Limited**

## **Company information**

<b>The board of directors</b>	P McCluskey E O'Lionaird
<b>Secretary</b>	AG Secretarial Limited
<b>Principal place of business</b>	4 <sup>th</sup> Floor 19 Spring Gardens Manchester M2 1FB
<b>Registered office</b>	One St Peter's Square Manchester M2 3DE
<b>Auditor</b>	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester M3 3HF
<b>Bankers</b>	Lloyds Bank plc 8 <sup>th</sup> Floor 40 Spring Gardens Manchester M2 1EN  HSBC Bank 4 Hardman Street Manchester M3 3EB

# Concept Life Sciences (Holdings) Limited

## Strategic report

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

### Principal activity

The principal activity of the Company is to act as a holding company. The principal activity of the Group is the provision of outsourced laboratory and scientific analytical services to the pharmaceutical, biotechnology, agrochemical, industrial chemical, food and environmental sectors including drug discovery, pre-clinical research services and development programmes.

### Business review

The year ending December 2017 was a period of continued growth for the Concept Life Sciences group of companies. Total sales exceeded £46.8m, an increase of 13.8% on an annual basis with an increase in gross profit of 11.3%. Operating profit fell in the year by 46.1% to £1.9m (2016: £3.6m) due to £2.7m of exceptional items in the year (see note 3). Operating profit adjusted for exceptional items increased by 31.7% to £4.6m (2016: £3.5m). The Group's loss after tax of £5.9m (2016: £2.9m) is influenced by net finance costs of £6.9m (2016: £6.6m) which primarily arise as a result of the financing structure of the Group which is typical for a private equity backed venture.

During the first half of 2017, the Group completed the consolidation of its laboratory focused businesses under the single brand of Concept Life Sciences with the operating companies segmented divisionally under either Integrated Discovery & Development Services or Analytical & Development Services. This process was designed to accentuate the Group's offering as a science led service provider to the life sciences, industrial, consumer and environmental sectors.

The integration of both CXR Biosciences and Agenda! Analytical Services, acquired in 2016, continued. On 1 October 2017, the trade and assets of both companies were hived up into Concept Life Sciences Integrated Discovery & Development Services Limited and Concept Life Sciences Analytical & Development Services Limited respectively, as the next stage in the rebranding that commenced in 2016.

The group continued to invest in capital equipment with gross spend of £3.2m representing nearly 7% of sales, a trend forecast to continue into future years to ensure both the highest quality of scientific offering and to manage the growing capacity demands driven by the group's order book and pipeline.

### Integrated Discovery & Development Services

The division enjoyed growth in revenues and profits during the year from both its core offering and through the introduction of new services. Divisional revenues increased by 27.2% to £18.1m (2016: £14.2m). Operating profit increased by 41.6% to £3.5m (2016: £2.1m). CXR Biosciences continues to provide a more attractive offering, not only in the group's traditional markets in biopharmaceuticals, agrochemicals and industrial chemistry but also in offering a full service in the 'design, make, test' cycle needed for those clients looking to take their compounds through the full range of the development life cycle.

In October 2017 Aquila Biomedical became the latest acquisition of the division. Aquila's world-leading expertise focuses on the development of therapeutics for oncology, biomarker discovery, and target expression, with services covering a wide range of *in vitro* and *in vivo* proof-of-concept studies. The acquisition is a pivotal addition to the comprehensive range of integrated services Concept provides, supporting customers throughout the drug discovery and development process.

The group increased capacity by adding over 15,000 square feet of laboratory space at Alderley Park and over 60 scientists during 2017. This has increased the total PhD headcount to in excess of 200 full time equivalents.

### Analytical Services

The strategic focus in Analytical & Development Services division continues to be to offer a wider range of higher value analytical services not only to the traditional markets in food and environmental services but also to a preformulation level in the life sciences industries and related markets.

A deeper focus on operational efficiencies and more targeted business development towards higher value markets meant that the division delivered an increase in gross margin % to 41.2% (2016: 40.7%), whilst growing revenues by 3.0% to £18.6m (2016: £18.1m).

# Concept Life Sciences (Holdings) Limited

## Strategic report

### Analytical Services (continued)

The markets remain highly competitive. Key to success is to retain business by ensuring quick turnaround and great customer services. The investment in business development capacity over recent years has opened up opportunities not only in new service offerings but also in new higher value geographies.

Further investment is planned to maintain the level of quality across the division.

### Environmental Consulting

Trading in 2017 continued under the separate branding of the two scientific divisions – Consulting and Asbestos. The division has grown a portfolio of specific services within its core markets and has built a first-class reputation both regionally and nationally within that brand.

Divisional revenue increased by 17.0% to £8.4m (2016: £7.1m), which is above the growth in the macro market. However gross margin % decreased from 33.6% in 2016 to 31.0% in 2017. Improving efficiencies and maximising margins will be a key focus area in 2018.

### People

At the end of 2017, total group headcount exceeded 700 full time equivalents. Over 50% are scientists of whom 40% are educated to higher degree or doctorate level, reflecting the continuing investment in our scientific knowledge base.

The HR team continues to focus on the development of our colleagues at every level in the group. Management development programmes are in operation across all divisions. The team continue to encourage internal career progression throughout the organisation and work to identify talent banks internally and externally has been progressed.

A Chief Operating Officer and Chief Commercial Officer were appointed in 2017 and the management team underneath them restructured resulting in a number of exceptional items. Our aim is to ensure that the management structure is flatter structure and to better reflect the group's offering in the future.

The group remains committed to investing in its people as the cornerstone of delivering growth in 2018 and beyond.

### Future developments and outlook

The group's progression to being a fully integrated services business built on a depth of scientific knowledge and assets remain our goal.

Order books at the end of the year suggest that this will continue and capacity is being added at all levels to support this projected growth.

Our planned moves into new areas of scientific expertise will be supported by acquisition where appropriate.

The board is confident in delivering growth organically and by further service additions during 2018.

### Principal risks and uncertainties

The principal risks and uncertainties of Concept Life Sciences (Holdings) Limited are tied to the trading businesses in which it ultimately owns. The risks set out below therefore are specific to these trading companies.

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 group:

#### Legislative risk

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

# Concept Life Sciences (Holdings) Limited

## Strategic report

### Competitive risks

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

Many of the sectors the group operates in, such as biotech and pharmaceuticals, are subject to rapid and substantial technological change. The group employs highly qualified research scientists and senior management who are aware of developments in technology that might affect its research capability. The group also positions itself in niche areas with strong service offerings to differentiate itself from competitors which reduces the level of competition.

### Economic factors

The demand for the group's services is influenced by a number of economic factors, such as ageing populations, emerging market expansion, treatment and technology advances offset by government and health care provider efforts to reduce costs, improve outcomes and provide value for money. In addition, 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. However, many sectors such as the pharmaceutical market are showing growing demand despite the subdued economy.

### Health and safety

The health and safety of our customers and employees is of the utmost importance. Policies are implemented in conjunction with training programmes to protect our customers and employees. Personnel injuries, distress and fatalities could result from a failure to establish and maintain safe environments. There is a comprehensive induction and training programme for core staff covering health and safety issues. Health and safety personnel regularly report issues to senior management.

### Personnel

The success of the group is partly dependent upon the continued service of its key personnel and upon its ability to attract, motivate and retain suitably qualified employees. To help achieve this continued service, the group has competitive reward packages for all of its staff. The group also invests in training programmes for its key staff which increases morale and improves staff retention. This ensures the group's differentiated service offerings are not lost, thereby enhancing customer service.

### Acquisitions

Part of the group's growth strategy is to acquire companies. However, they may take longer than anticipated to integrate or may fail to provide expected growth and synergies. This is mitigated by the quality of the senior management team in managing new businesses post-acquisition and by careful selection of target companies.

### Financial instruments risk

The group is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The group manages these risks by financing its operations through retained profits, supplemented by funding provided by its controlling party as required.

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

In the year to 31 December 2017, the group made significant use of financial instruments including bank loans, interest rate swaps and forward foreign currency contracts, however its exposure to price risk, liquidity risk and cash flow risk was not material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

Liquidity risk is managed by utilising cash flow generated from its operations supplemented by additional investor and bank funding to support specific targeted acquisitions.

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 group 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

# Concept Life Sciences (Holdings) Limited

## Strategic report

a cash basis. If a key customer was significantly affected by a difficult trading environment this would have a short-term impact on the group.

The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material receipts and payments in a foreign currency.

In the year to 31 December 2017, the group used interest rate swaps to reduce exposure to the variable rate LIBOR element of the bank loans by fixing the interest rate. These interest rate swaps were settled as part of the acquisition by Spectris plc and interest rate swaps are no longer required. Derivative financial instruments are not used for speculative purposes.

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

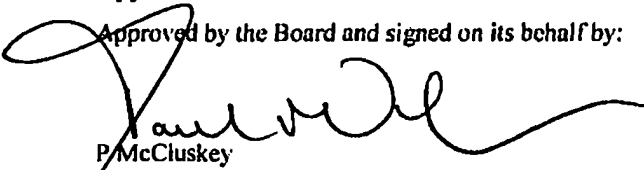
### Performance and development during the year

Revenue in the year was £46.8m (2016: £41.2m) resulting in operating profit of £1.9m (2016: £3.6m). The acquisition of Aquila Biomedical Limited completed mid October 2017 and so the results included are from the date of acquisition. Gross margin decreased slightly from 45.7% to 44.7% as a result of management's strategy to ensure recruitment occurs prior to the commencement of large projects, ensuring a seamless service for our customers.

A suite of non-financial and financial key performance indicators used for each business is monitored on a monthly basis which include EBITDA, staff utilisation, number of full time equivalent staff, order book/pipeline, debtor days, daily cash receipts, revenue per working day and margin per working day. This provides a robust set of measures to adequately monitor all business segments.

### Approval

Approved by the Board and signed on its behalf by:



P. McCluskey

Director

27 September 2018

# Concept Life Sciences (Holdings) Limited

## Directors' report

### Results and dividends

The results for the year ended 31 December 2017 and financial position of the Group are as shown in the Consolidated Income Statement and the Consolidated Statement of Financial Position. The Directors do not propose the payment of a dividend (2016: £nil).

### 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 financial position 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 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.

### Research and development

The Group's primary activities result in the undertaking of research and development on behalf of its customer base. Additionally, the Group engages in internal research and development by developing its service offerings for customers.

### Going concern

The Directors have a reasonable expectation that the Company and the Group have 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 to financial statements.

### Directors

The Directors, who served throughout the year and thereafter, were as follows:

MJ Fort	(resigned 31 August 2018)
P McCluskey	
S O'Hare	(resigned 25 January 2018)
AR Tomkinson	(resigned 25 January 2018)
E O'Lionaird	(appointed 25 January 2018)

### 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.

### Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks which are detailed in note 20 Financial Instruments.

In the year to 31 December 2017, the Group had a policy of hedging against its long-term loans. The policy was approved by the board of directors, which provided written principles on the use of financial derivatives to manage risk. Since the acquisition of the company by Spectris plc, the company has no requirement to hedge against any long-term loans. The Group does not use derivative financial instruments for speculative purposes. The Group's credit risk on derivatives is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

# Concept Life Sciences (Holdings) Limited

## Directors' report (continued)

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group used a mixture of long term and short-term debt finance. Post the acquisition by Spectris, funding is now provided by loans from the controlling party.

The Group's activities expose it to the risks of changes in foreign currency exchange rates. The Group monitors its unhedged currency risks and uses forward exchange contracts where necessary.

The Group's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the statement of financial position are after any allowances for doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

### Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### Employee involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Group, has been continued through the newsletter in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### Disclosure of information to 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 ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them has been passed in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



P McCluskey

Director

27 September 2018

# **Concept Life Sciences (Holdings) 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 the Group and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Concept Life Sciences (Holdings) Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONCEPT LIFE SCIENCES (HOLDINGS) LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Concept Life Sciences (Holdings) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements 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 income statement;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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.

## Concept Life Sciences (Holdings) Limited

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONCEPT LIFE SCIENCES (HOLDINGS) 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](http://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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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.

## **Concept Life Sciences (Holdings) Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONCEPT LIFE SCIENCES (HOLDINGS) 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**

## Concept Life Sciences (Holdings) Limited

### Consolidated Income Statement For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Turnover	2	46,838,260	41,153,310
Cost of sales		(25,903,102)	(22,338,199)
<b>Gross profit</b>		<b>20,935,158</b>	<b>18,815,111</b>
Administrative expenses		(19,028,544)	(15,280,963)
Administrative expenses excluding exceptionals		(16,303,653)	(15,312,937)
Exceptional items	3	(2,724,891)	31,974
Other operating income	4	7,500	19,232
<b>Operating profit</b>	4	<b>1,914,114</b>	<b>3,553,380</b>
Net finance expenses	5	(6,946,619)	(6,662,327)
<b>Loss before tax</b>		<b>(5,032,505)</b>	<b>(3,108,947)</b>
Tax on loss on ordinary activities	9	(889,760)	174,008
<b>Loss for the year</b>		<b>(5,922,265)</b>	<b>(2,934,939)</b>

All of the activities in the current and prior year arose from continuing operations.

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

## Concept Life Sciences (Holdings) Limited

### Consolidated Statement of Financial Position As at 31 December 2017

	Note	2017 £	2016 £
<b>Non-current assets</b>			
Intangible assets	11	58,634,368	51,663,395
Property, plant and equipment	13	11,821,538	10,466,528
Deferred tax asset	23	60,165	269,577
<b>Total non-current assets</b>		<u>70,516,071</u>	<u>62,399,500</u>
<b>Current assets</b>			
Inventories	15	2,086,850	1,481,973
Trade and other receivables	16	13,485,653	10,842,070
Cash and cash equivalents	17	1,602,994	1,031,325
<b>Total current assets</b>		<u>17,175,497</u>	<u>13,355,368</u>
<b>Total assets</b>		<u>87,691,568</u>	<u>75,754,868</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	18	(5,745,406)	(4,376,587)
Trade and other payables	21	(11,160,145)	(6,943,965)
Other financial liabilities	19	(83,337)	(1,505)
<b>Total current liabilities</b>		<u>(16,988,888)</u>	<u>(11,322,057)</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	18	(82,697,049)	(70,668,115)
Other payables	21	(590,355)	(874,897)
Deferred tax liability	23	(3,142,586)	(2,432,297)
Provisions	22	(286,000)	(286,000)
Other financial liabilities	19	-	(262,547)
<b>Total non-current liabilities</b>		<u>(86,715,990)</u>	<u>(74,523,856)</u>
<b>Total liabilities</b>		<u>(103,704,878)</u>	<u>(85,845,913)</u>
<b>Net liabilities</b>		<u>(16,013,310)</u>	<u>(10,091,045)</u>
<b>Capital and reserves</b>			
Called-up share capital	24	114,600	114,600
Share premium		971,678	971,678
Profit and loss account		(17,099,588)	(11,177,323)
<b>Shareholder's deficit</b>		<u>(16,013,310)</u>	<u>(10,091,045)</u>

Registered number: 09046553

The financial statements of Concept Life Sciences (Holdings) 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

## Concept Life Sciences (Holdings) Limited

### Consolidated and Company Statements of Changes in Equity For the year ended 31 December 2017

	Called-up share capital £	Share premium £	Profit and loss account £	Total equity £
<b>Group</b>				
As at 31 December 2015	114,600	949,604	(8,242,384)	(7,178,180)
Repurchase of share capital ("A" and "G" shares)	(368)	(17,576)	-	(17,944)
Issue of share capital ("A" and "G" shares)	368	39,650	-	40,018
Loss for the year	-	-	(2,934,939)	(2,934,939)
	<u>114,600</u>	<u>971,678</u>	<u>(11,177,323)</u>	<u>(10,091,045)</u>
As at 31 December 2016	114,600	971,678	(11,177,323)	(10,091,045)
Loss for the year	-	-	(5,922,265)	(5,922,265)
	<u>114,600</u>	<u>971,678</u>	<u>(17,099,588)</u>	<u>(16,013,310)</u>

	Called up share capital £	Share premium £	Profit and loss account £	Total equity £
<b>Company</b>				
As at 31 December 2015	114,600	949,604	-	1,064,204
Repurchase of share capital ("A" and "G" shares)	(368)	(17,576)	-	(17,944)
Issue of share capital ("A" and "G" shares)	368	39,650	-	40,018
Loss for the year	-	-	-	-
	<u>114,600</u>	<u>971,678</u>	<u>-</u>	<u>1,086,278</u>
As at 31 December 2016	114,600	971,678	-	1,086,278
Result for the year	-	-	-	-
	<u>114,600</u>	<u>971,678</u>	<u>-</u>	<u>1,086,278</u>

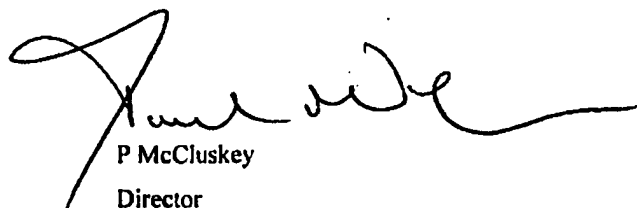
# Concept Life Sciences (Holdings) Limited

## Company Statement of Financial Position For the year ended 31 December 2017

	Note	2017 £	2016 £
<b>Non-current assets</b>			
Investments	14	<u>1</u>	<u>1</u>
<b>Total non-current assets</b>		<u>1</u>	<u>1</u>
<b>Current assets</b>			
Trade and other receivables	16	<u>62,466,163</u>	<u>56,717,898</u>
<b>Total current assets</b>		<u>62,466,163</u>	<u>56,717,898</u>
<b>Total assets</b>		<u>62,466,164</u>	<u>56,717,899</u>
<b>Current liabilities</b>			
Trade and other payables	21	<u>(181,358)</u>	<u>(122,008)</u>
<b>Total current liabilities</b>		<u>(181,358)</u>	<u>(122,008)</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	18	<u>(61,198,528)</u>	<u>(55,509,613)</u>
<b>Total non-current liabilities</b>		<u>(61,198,528)</u>	<u>(55,509,613)</u>
<b>Total liabilities</b>		<u>(61,379,886)</u>	<u>(55,631,621)</u>
<b>Total assets less liabilities</b>		<u>1,086,278</u>	<u>1,086,278</u>
<b>Capital and reserves</b>			
Called-up share capital	24	114,600	114,600
Share premium		971,678	971,678
Profit and loss account		-	-
<b>Total equity</b>		<u>1,086,278</u>	<u>1,086,278</u>

Registered number: 09046553

The financial statements of Concept Life Sciences (Holdings) 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

# Concept Life Sciences (Holdings) Limited

## Consolidated Statement of Cash Flows For the year ended 31 December 2017

		Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Cash flows from operating activities</b>	<b>Note</b>		
Loss for the year		(5,922,265)	(2,934,939)
Depreciation		2,036,230	2,017,201
Amortisation		1,417,411	1,417,412
Net financial expenses		1,257,704	1,361,335
Loan interest accrued		5,688,915	5,247,434
Tax on loss on ordinary activities		-	(174,008)
(Increase)/decrease in inventories		(604,875)	313,084
Increase in trade and other receivables		(2,397,408)	(1,597,734)
Decrease in trade and other payables		(326,337)	(1,423,082)
Interest paid		(1,099,139)	(1,214,869)
Income taxes received		982,375	197,691
<b>Net cash from operating activities</b>		<u>1,032,611</u>	<u>3,209,525</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(2,226,446)	(1,366,965)
Cash consideration of acquisitions		(7,105,267)	(5,607,928)
Cash acquired with acquisitions		1,320,498	-
<b>Cash used in investing activities</b>		<u>(8,011,215)</u>	<u>(6,974,893)</u>
<b>Cash flows from financing activities</b>			
Repayment of finance lease liabilities		(149,727)	(618,627)
Repayment of debt		-	(1,500,000)
New borrowings		7,700,000	5,300,000
<b>New cash provided by financing activities</b>		<u>7,550,273</u>	<u>3,181,373</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		571,669	(583,995)
<b>Cash and cash equivalents at start of year</b>		<u>1,031,325</u>	<u>1,615,320</u>
<b>Cash and cash equivalents at end of year</b>	<b>17</b>	<u>1,602,994</u>	<u>1,031,325</u>

# Concept Life Sciences (Holdings) Limited

## Notes to the financial statements For the year ended 31 December 2017

### 1. Accounting policies

Concept Life Sciences (Holdings) Limited is a company incorporated and domiciled in the UK.

#### **Basis of preparation**

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The parent company financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

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

#### **Early adoption of Standards**

The Group has not early adopted any Standards:

#### **Standards not affecting the reported results nor the financial position**

The following Standards and Interpretations have come into effect in the period. The adoption of these amendments has not had any material impact on the disclosures or amounts reported in these financial statements:

Amendments to IAS 1, Presentation of Financial Statements: Disclosure Initiative.

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation.

Annual Improvements 2012-2014 Cycle, specifically amendments to (i) IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, (ii) IFRS 7, Financial Instruments: Disclosures, and (iii) IAS 19, Employee Benefits.

At the date of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted in the EU). The Directors do not expect that the adoption of the Standards and Interpretations listed below will have a material impact on the Group in future periods except for IFRS 16 Leases. IFRS 16 will impact the recognition, measurement and disclosure of operating leases. It is considered that a material amount of lease assets and liabilities will require recognition on the Group Statement of Financial Position. It is anticipated that a portion of operating lease charges will require reclassification in the Group Income Statement. Beyond this information it is not practical to provide a reasonable financial estimate of the effect of these standards until a detailed review has been completed.

IFRS 2 Share Based Payments (amendments) – effective for accounting period beginning on or after 1 January 2018

IAS 7 Statement of Cashflows (amendments) – effective for accounting period beginning on or after 1 January 2017

IFRS 9 Financial Instruments – effective for accounting period beginning on or after 1 January 2018

IFRS 15 Revenue from Contracts with Customers – effective for accounting period beginning on or after 1 January 2018

IFRS 16 Leases – effective for accounting period beginning on or after 1 January 2019

IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses – effective for accounting period beginning on or after 1 January 2017

# Concept Life Sciences (Holdings) Limited

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

### I. Accounting policies (continued)

#### Basis of consolidation

The Group financial statements consolidate the financial statements of Concept Life Sciences (Holdings) Limited and the entities it controls ("subsidiaries") drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

#### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through cash generated from operations, supported by an overdraft facility.

Whilst the Group has net liabilities, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the long term nature of the Group facilities, show that the Group should be able to operate within the level of its current facilities. A significant portion of the Group's net debt is repayable after five years and the Group is able to meet its short term debt requirements out of operating cash flows. External loans were settled in January 2018 (see note 31).

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is allocated to cash generating units (CGUs) at the point of acquisition and is tested annually for impairment. Goodwill is stated at cost less any accumulated impairment losses. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Consolidated Income Statement.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the Consolidated Income Statement.

# Concept Life Sciences (Holdings) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at their fair value at the date of acquisition and, following initial recognition are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Estimated useful lives and amortisation rates are as follows:

- Goodwill - indefinite life
- Customer relationships - 10 years straight line

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

#### Property, plant and equipment

##### Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items.

##### Depreciation

Depreciation is charged to the Consolidated Income Statement over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful economic lives and depreciation rates are as follows:

- Freehold properties - 50 years on a straight line basis
- Leasehold properties - 10 to 15 years on a straight line basis and 20% reducing balance basis
- Plant and machinery - 3 to 10 years on a straight line basis and 10% to 25% reducing balance basis

# Concept Life Sciences (Holdings) Limited

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

### 1. Accounting policies (continued)

#### Property, plant and equipment (continued)

##### *Leased Assets*

Assets funded through finance leases and similar hire purchase contracts are capitalised as property, plant and equipment where the Group 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 interest-bearing loans and borrowings.

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 Consolidated Income Statement on a straight line basis over the life of the lease.

##### *Investments*

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

##### *Impairment of assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or when the annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have increased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### *Inventory*

Inventory consists primarily of chemical products. Inventories are stated at the lower amount between cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories, production or conversion costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Adjustments made to revenue to ensure that revenue is recognised in line with the percentage completion are recorded as work in progress within inventories.

# Concept Life Sciences (Holdings) Limited

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

### 1. Accounting policies (continued)

#### Taxation

##### Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

##### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow into the Group 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 those revenues 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 is determined by the services performed to date as a percentage of the total analysis to be performed.

# Concept Life Sciences (Holdings) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Pension schemes

The Group operates defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. Obligations for contributions to the defined contribution schemes are recognised as an expense in the Consolidated Income Statement when incurred.

#### Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

#### Financial expenses

Financial expenses comprise interest payable on interest-bearing loans and borrowings, fair value losses on interest rate swap derivative financial instruments and fair value losses on forward foreign currency contracts. Financial expenses are recognised in the Consolidated Income Statement on an effective interest method.

#### Financial income

Financial income comprise interest receivable on funds invested and fair value gains on interest rate swap derivative financial instruments. Financial income is recognised in the Consolidated Income Statement on an effective interest method.

#### Interest bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group 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 Consolidated Income Statement. The Group has elected not to apply hedge accounting.

Interest rate swaps are recognised at fair value in the Consolidated Statement of Financial Position with movements in fair value recognised in the Consolidated Income Statement for the period. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the respective risk profiles of the swap counterparties.

Forward foreign currency contracts are recognised at fair value in the Consolidated Statement of Financial Position with movements in fair value recognised in the Consolidated Income Statement 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.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

# Concept Life Sciences (Holdings) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group 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.

#### Financial Assets

The Group's financial assets are all categorised as loans and receivables with the exception of derivative financial instruments which are categorised as fair value through profit or loss (FVTPL). Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the Consolidated Statement of Financial Position. Derivative financial instruments are shown as 'Other Financial Assets' in the Consolidated Statement of Financial Position.

Cash and cash equivalents comprise short-term cash deposits with major United Kingdom clearing banks earning floating rates of interest based upon bank base rates or rates linked to LIBOR.

#### Financial Liabilities

The Group's financial liabilities are all categorised as other financial liabilities. Other financial liabilities, with the exception of foreign exchange forward contracts and interest rate swaps, are measured at amortised cost. The Group's other financial liabilities comprise 'Interest-bearing loans and borrowings' and 'Trade and other payables'.

#### Estimation of Fair Values

For trade and other receivables/payables, the notional amount is deemed to reflect the fair value.

#### Fair Value Hierarchy

As at 31 December 2017, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

- Foreign exchange forward contracts – non hedged
- Interest rate swap contracts – non hedged

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows, as these are used as an integral part of the Group's cash management.

# Concept Life Sciences (Holdings) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### **Trade and other receivables**

Trade receivables are recognised at amortised cost less impairment losses. A provision for the impairment of trade receivables is established when there is objective evidence that the Group 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 in payments are considered indicators that the trade receivable is impaired. The movement in the provision is recognised in the Consolidated Income Statement.

#### **Trade and other payables**

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

#### **Provisions**

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably.

#### **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 the income statement 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 statement of financial position and 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.

#### **Share based payments**

##### ***Equity-settled transactions***

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for the period represents the movement in cumulative expense recognised at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, providing that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

# Concept Life Sciences (Holdings) Limited

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

### 1. Accounting policies (continued)

#### Share based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

#### 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, that the future economic benefits are probable, the Group 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 Group is expected to benefit. Provision is made for any impairment.

#### 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 Group's results. This includes non recurring acquisition expenses. Exceptional items have been presented separately on the face of the Consolidated Income Statement. The Directors consider that this presentation gives a more accurate presentation of the results of the Group.

#### Acquisition costs

Acquisition costs and other deal costs are expensed as incurred to the income statement.

#### Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, the Directors do not consider there to be significant judgements adopted with regards to the policies adopted.

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Impairment of goodwill and intangible assets*

Determining whether goodwill, intangible assets and fixed assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and intangible assets at the statement of financial position date are disclosed within note 11. Details of the accounting policies applied in respect of impairment are set out previously above.

## Concept Life Sciences (Holdings) Limited

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

#### 2. Turnover

An analysis of turnover for the Group is given below:

	Year ended 2017 £	Year ended 2016 £
United Kingdom	31,695,187	29,269,089
Rest of the world	15,143,073	11,884,221
	<u>46,838,260</u>	<u>41,153,310</u>

#### 3. Exceptional items

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Development of new business services	102,799	217,535
Business restructuring	1,697,806	675,609
Acquisition and related expenses	924,286	404,567
Earnout adjustment credit	-	(1,329,685)
	<u>2,724,891</u>	<u>(31,974)</u>

The exceptional items detailed above are all included within operating profit as a separate line on the face of the Consolidated Income Statement.

In the current year, the group incurred exceptional costs of £1,628,708 in relation to business restructuring primarily the restructure of management.

In the current year, the group incurred exceptional costs of £102,799 in relation to the provision of dermal services within the Integrated Discovery & Development Services division.

£924,286 was incurred in relation to acquisition and related expense including the expenses related with the acquisition of Aquila Biomedical Limited.

Prior year acquisition expenses are various legal and consultancy costs incurred in relation to identifying and acquiring new companies. Other items comprise costs incurred of a type which are not expected to recur including costs involved relating to previous acquisitions and the administration of the earnout and review periods. The final earnout based upon trading periods completing in 2016 resulted in an exceptional credit of £1.3m being released as part of the accounting for the acquisitions of CXR and Agendal.

## Concept Life Sciences (Holdings) Limited

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

#### 4. Operating profit

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	2,036,230	2,017,201
Amortisation of intangible assets	1,417,411	1,417,412
Rentals payable under non-cancellable operating leases:		
- Land and buildings	719,122	831,872
- Plant and machinery	745,943	624,581
Grant income	(7,500)	(17,732)
Foreign exchange losses/(gains)	29,200	(149,835)
	<u>          </u>	<u>          </u>
	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Auditor's remuneration is analysed as follows:		
Audit of the financial statements	5,000	5,000
Audit of financial statements of subsidiaries	81,000	81,000
<b>Total audit fees</b>	<u>86,000</u>	<u>86,000</u>
Taxation compliance services	-	35,000
Other taxation services	98,000	84,000
Other services	45,000	4,500
<b>Total non-audit fees</b>	<u>143,000</u>	<u>123,500</u>

## Concept Life Sciences (Holdings) Limited

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

#### 5. Net finance expenses

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Financial expenses</b>		
Bank loans and overdrafts	1,235,553	1,094,154
Loan notes	5,688,915	5,247,434
Interest on obligations under finance leases	71,182	101,080
Other interest	15,325	16,761
Amortisation of loan arrangement fees	149,340	149,340
Fair value losses on interest rate swaps	-	53,558
	<u>7,160,315</u>	<u>6,662,327</u>
<b>Financial income</b>		
Fair value gains on interest rate swaps	(213,696)	-
	<u>6,946,619</u>	<u>6,662,327</u>

#### 6. Staff numbers and costs

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

	Year ended 31 December 2017 No.	Year ended 31 December 2016 No.
Operations	586	534
Sales	29	26
Administration	104	96
	<u>719</u>	<u>656</u>

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 6. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Wages and salaries	18,484,144	17,256,570
Social security costs	1,689,643	1,544,749
Other pension costs	447,050	367,964
	<u>20,620,837</u>	<u>19,169,283</u>

The remuneration of key management personnel excluding directors was:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Wages and salaries	770,077	814,845
Social security costs	100,585	110,983
Other pension costs	61,813	29,199
	<u>932,475</u>	<u>955,027</u>

#### 7. Directors' remuneration

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Directors' remuneration</b>		
Emoluments	188,862	229,302
Sums paid to third parties in respect of directors' services	182,000	182,000
	<u>370,862</u>	<u>411,302</u>

## Concept Life Sciences (Holdings) Limited

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

#### 7. Directors' remuneration (continued)

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Remuneration of highest paid director Emoluments	<u>181,167</u>	<u>172,245</u>

#### 8. Other operating income

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Rents receivable	-	1,500
Grant income	7,500	17,732
	<u>7,500</u>	<u>19,232</u>

## Concept Life Sciences (Holdings) Limited

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

#### 9. Tax on loss on ordinary activities

Tax on the loss for the year comprises current and deferred tax.

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Current tax</b>		
UK corporation tax at 19.25% (2016: 20%)	371,422	(19,385)
Adjustments relating to prior years	325,245	-
<b>Total current tax charge/(credit)</b>	<u>696,667</u>	<u>(19,385)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(7,336)	(176,067)
Adjustments relating to prior years	116,466	55,650
Effect of change in tax rates	83,963	(34,206)
<b>Total deferred tax charge/(credit)</b>	<u>193,093</u>	<u>(154,623)</u>
<b>Tax charge/(credit) for the year</b>	<u><u>889,760</u></u>	<u><u>(174,008)</u></u>
	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Loss on ordinary activities before tax	<u>(5,032,505)</u>	<u>(3,108,947)</u>
Loss before tax multiplied by the standard rate of Corporation tax in the UK of 19.25% (2016: 20%)	(968,757)	(621,790)
Effects of:		
Expenses not deductible	546,963	42,397
Income not taxable for tax purposes	-	(183,649)
Change in tax rates	84,551	34,206
Adjustments in respect of prior years	441,711	55,650
Other movements	785,292	499,178
	<u><u>889,760</u></u>	<u><u>(174,008)</u></u>

## Concept Life Sciences (Holdings) Limited

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

#### 9. Tax on loss 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 statement of financial position date and, therefore, the deferred tax assets and liabilities are calculated in these financial statements at this rate.

#### 10. Acquisitions

##### Aquila Biomedical Limited

On 23 October 2017, the Group acquired 100% of the issued share capital of Aquila Biomedical Limited for cash consideration of £7,105,267 with additional consideration of up to £1,962,943 payable after January 2019 if certain performance criteria are achieved. Aquila Biomedical Limited is a pre-clinical CRO with expertise in immunoncology, immunology and multiplex histology.

The Goodwill calculation is summarised below:

	Book value £	Measurement adjustments £	Fair value at acquisition £
<b>Acquiree's net assets at acquisition date:</b>			
Intangible assets	13,699	3,336,800	3,350,499
Property, plant and equipment	194,488	-	194,488
Cash	1,320,498	-	1,320,498
Trade and other receivables	246,175	-	246,175
Trade and other payables	(461,042)	-	(461,042)
Deferred tax liabilities	-	(633,992)	(633,992)
	<u>1,313,818</u>	<u>2,702,808</u>	<u>4,016,626</u>
Net identifiable assets			
			<u>5,051,584</u>
Goodwill on acquisition			<u>9,068,210</u>
Consideration satisfied in cash			7,105,267
Contingent consideration			1,962,943
			<u>9,068,210</u>

The intangible asset acquired represents the fair value of the Customer Relationships. The Board believes that the excess of consideration paid over the fair value of the net identifiable assets of £5,051,584 is best considered as goodwill on acquisition representing employee expertise and anticipated future commercial synergies.

Included in the year ended 31 December 2017 is revenue of £1,008,978 and a profit before tax of £448,306 in respect of Aquila Biomedical Limited.

## Concept Life Sciences (Holdings) Limited

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

#### 10. Acquisitions (continued)

##### Full year impact of acquisition

Had the acquisition of Aquila Biomedical Limited been effected on 1 January 2017, the revenue and loss before tax from continuing operations of the Group for the year ended 31 December 2017 would have been £48,576,983 and £4,460,769 respectively.

#### 11. Intangible assets

	Goodwill £	Customer relationships £	Total £
<b>Cost</b>			
As at 1 January 2016	40,328,869	14,174,117	54,502,986
As at 31 December 2016	40,328,869	14,174,117	54,502,986
Acquisitions	5,051,584	3,336,800	8,388,384
As at 31 December 2017	<u>45,380,453</u>	<u>17,510,917</u>	<u>62,891,370</u>
<b>Amortisation and impairment</b>			
As at 1 January 2016	63,044	1,359,135	1,422,179
Charge for the year	-	1,417,412	1,417,412
As at 31 December 2016	63,044	2,776,547	2,839,591
Charge for the year	-	1,417,411	1,417,411
As at 31 December 2017	<u>63,044</u>	<u>4,193,958</u>	<u>4,257,002</u>
<b>Net book value</b>			
As at 31 December 2017	<u>45,317,409</u>	<u>13,316,959</u>	<u>58,634,368</u>
As at 31 December 2016	<u>40,265,825</u>	<u>11,397,570</u>	<u>51,663,395</u>

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 12. Impairment of intangible assets

##### Goodwill

Goodwill acquired through business combinations has been allocated to cash generating units ("CGUs") on initial recognition and subsequently for impairment testing. Each separate business acquired is deemed to be a separate CGU.

The CGU allocation year on year has changed due to the restructure of the Concept group into Analytical Services and Integrated Discovery & Development Services divisions. The directors consider this to be the most appropriate basis for allocation as this is the basis upon which the business now operates and under which current and future trading occurs.

The Group has tested the goodwill in respect of each CGU for impairment at 31 December 2017. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value.

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections based on the budget for 2018 and management's expectations of EBITDA growth for each CGU over the next 4 years to 2022. Terminal values have been included using 3% as the expected long term average growth rate of the UK economy, and calculated using the Gordon growth model.

The pre-tax cash flows of each CGU have been discounted considering the weighted average cost of capital of a market participant capable of acquiring a similar business. Individual CGU WACC rates have been derived from the Group WACC rate adjusted to reflect the various characteristics of each CGU, resulting in a range of 11% to 12% being applied.

The value in use calculation is most sensitive to the assumptions used for growth and for the discount rate. Accordingly, stress testing has been performed on these key assumptions as part of the impairment test to determine whether any reasonably foreseeable change in any of the key assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount.

To undertake the stress testing, terminal values were separately recalculated using reduced growth levels and higher discount rates. No evidence of any impairment was seen under any of these stress test scenarios. Consequently, no impairment of the goodwill relating to any of the CGUs has been recognised.

##### Other intangible assets

Separately identifiable intangible assets are valued and their appropriate useful lives established at the time of acquisition. For all acquisitions to date, customer relationship assets have been identified which have a life of 10 years. The carrying values of these assets and their remaining useful lives are reviewed annually for indicators of impairment.

The Group has tested the customer relationship assets for impairment by incorporating them into the goodwill impairment tests and have concluded that there are no impairments as at 31 December 2017.

## Concept Life Sciences (Holdings) Limited

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

#### 13. Property, plant and equipment

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>				
As at 31 December 2015	3,179,731	631,585	8,100,695	11,912,011
Additions	-	95,838	2,130,608	2,226,446
As at 31 December 2016	3,179,731	727,423	10,231,303	14,138,457
Additions	-	36,641	3,152,174	3,188,815
Acquired	-	-	323,748	323,748
As at 31 December 2017	<u>3,179,731</u>	<u>764,064</u>	<u>13,707,225</u>	<u>17,651,020</u>
<b>Depreciation</b>				
As at 31 December 2015	122,295	174,318	1,358,115	1,654,728
Charge for the year	81,531	125,928	1,809,742	2,017,201
As at 31 December 2016	203,826	300,246	3,167,857	3,671,929
Charge for the year	81,530	123,849	1,830,851	2,036,230
Acquired	-	-	121,323	121,323
As at 31 December 2017	<u>285,356</u>	<u>424,095</u>	<u>5,120,031</u>	<u>5,829,482</u>
<b>Net book value</b>				
As at 31 December 2017	<u>2,894,375</u>	<u>339,969</u>	<u>8,587,194</u>	<u>11,821,538</u>
As at 31 December 2016	<u>2,975,905</u>	<u>427,177</u>	<u>7,063,446</u>	<u>10,466,528</u>

Leased assets included above:

The carrying amount of the Group's property, plant and equipment includes an amount of £1,248,500 (2016: £1,686,570) in respect of assets held under finance leases, all of which are included within plant and machinery. The depreciation charge for the current year was £264,964 (2016: £404,492).

#### 14. Principal subsidiary undertakings

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Subsidiary undertakings	-	1	-	1

## Concept Life Sciences (Holdings) Limited

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

#### 14. Principal subsidiary undertakings (continued)

The parent Company and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the profits or net assets of the Group.

Concept Life Sciences (Midco) Limited +	United Kingdom	Intermediate holding company
Concept Life Sciences (Laboratories) Limited	United Kingdom	Intermediate holding company
Concept Life Sciences (Environmental Consulting) Limited	United Kingdom	Intermediate holding company
Concept Life Sciences (Discovery) Limited	United Kingdom	Intermediate holding company
Concept Life Sciences (Pre-Clinical) Limited	United Kingdom	Intermediate holding company
Scientific Analysis Laboratories Limited (formerly Concept Life Sciences (Analytical Laboratories) Limited)	United Kingdom	Intermediate holding company
Concept Life Sciences Analytical & Development Services Limited (formerly Scientific Analysis Laboratories Limited)	United Kingdom	Analytical Services
SAL Laboratories Limited	United Kingdom	Dormant
SAL Food Limited	United Kingdom	Dormant
Resource and Environmental Consultants Limited	United Kingdom	Environmental Consultancy
REC Environmental Monitoring Limited	United Kingdom	Dormant
Resource & Environmental Consultants (Asbestos) Limited	United Kingdom	Dormant
REC Asbestos (South) Limited	United Kingdom	Dormant
Noble Health and Safety Training Limited	United Kingdom	Dormant
Noble Asbestos Consultancy Limited	United Kingdom	Dormant
Concept Life Sciences Integrated Discovery & Development Services Limited (formerly Peakdale Molecular Limited)	United Kingdom	Drug Discovery Services
Peakdale Molecular Limited (formerly Concept Life Sciences (Pre-Clinical) Limited)	United Kingdom	Dormant
Peakdale Chemistry Services Limited	United Kingdom	Drug Discovery Services
Peakdale Properties Limited	United Kingdom	Dormant
Agendal Analytical Services Limited	United Kingdom	Dormant
CXR Biosciences Limited	United Kingdom	Dormant
Concept Life Sciences Limited	United Kingdom	Dormant
Aquila Biomedical Limited	United Kingdom	Drug Discovery Services

+ Held directly by Concept Life Sciences (Holdings) Limited. The registered address of CXR Biosciences Limited is 2 James Lindsay Place, Dundee Technopole, Dundee, DD1 5JJ. The registered address of Aquila Biomedical Limited is Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH. All other subsidiaries are registered in the United Kingdom with a registered office of One St Peter's Square, Manchester, M2 3DE.

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 15. Inventories

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Raw materials and consumables	1,421,597	-	987,575	-
Work in progress	665,253	-	494,400	-
	<u>2,086,850</u>	<u>-</u>	<u>1,481,973</u>	<u>-</u>

The cost of inventories recognised as expenses included in cost of sales for the year ended 31 December 2017 was £5,529,571 (2016: £4,671,251).

#### 16. Trade and other receivables

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Trade receivables	9,199,697	-	8,520,624	-
Other receivables	302,134	-	81,363	-
Prepayments and accrued income	1,930,389	-	1,090,553	-
Corporation tax	2,053,433	-	1,149,530	-
VAT	-	22,975	-	19,736
Amounts owed by other group companies	-	62,443,188	-	56,698,162
	<u>13,485,653</u>	<u>62,466,163</u>	<u>10,842,070</u>	<u>56,717,898</u>

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

## Concept Life Sciences (Holdings) Limited

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

#### 16. Trade and other receivables (continued)

The ageing of the trade receivables is detailed below:

	2017 Gross £	2017 Provision £	2017 Net £	2016 Gross £	2016 Provision £	2016 Net £
<b>Group</b>						
Not past due	4,562,816	-	4,562,816	6,185,345	-	6,185,345
Past due 0-30 days	2,377,119	-	2,377,119	1,191,624	(3,566)	1,188,058
Past due 30-60 days	1,295,246	(4,350)	1,290,896	454,648	(2,154)	452,494
Past due 60-90 days	399,645	(3,925)	395,720	307,157	(4,940)	302,217
Past 90 days	720,168	(147,022)	573,146	588,776	(196,266)	392,510
	<u>9,354,994</u>	<u>(155,297)</u>	<u>9,199,697</u>	<u>8,727,550</u>	<u>(206,926)</u>	<u>8,520,624</u>

Analysis of gross trade receivables is shown below:

	2017 £	2016 £
Not past due or impaired	4,562,816	6,185,345
Past due but not impaired	4,481,584	2,125,353
Impaired	155,297	209,926
	<u>9,199,697</u>	<u>8,520,624</u>

The board consider that the carrying amount of trade and other receivables approximate to their fair value. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being wide and unrelated. Therefore, no further credit risk provision is required in excess of the normal provision for impairment losses, which has been calculated following individual assessments of credit quality based on historic default rates and knowledge of debtor insolvency or other credit risk.

## Concept Life Sciences (Holdings) Limited

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

#### 16. Trade and other receivables (continued)

Movement on this provision is shown below:

	£
<b>Debtor provisions</b>	
As at 31 December 2015	156,966
Created	166,426
Utilised	(116,466)
	<hr/>
As at 31 December 2016	206,926
Created	7,610
Utilised	(59,239)
	<hr/>
As at 31 December 2017	<u>155,297</u>

The other classes within trade and other receivables do not contain impaired assets.

#### 17. Cash and cash equivalents

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Bank balances and cash floats	<u>1,602,994</u>	<u>-</u>	<u>1,031,325</u>	<u>-</u>

The currency profile of cash and cash equivalents is shown below:

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Bank balances and cash floats	<u>1,602,994</u>	<u>-</u>	<u>1,031,325</u>	<u>-</u>
Sterling	1,512,905	-	905,747	-
Euro	50,093	-	51,220	-
US Dollar	35,010	-	73,812	-
Other	4,986	-	546	-
	<hr/> <u>1,602,994</u>	<hr/> <u>-</u>	<hr/> <u>1,031,325</u>	<hr/> <u>-</u>

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 18. Interest bearing loans and borrowings

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
<b>Current liabilities</b>				
Finance lease liabilities	346,761	-	641,587	-
Bank loans and overdrafts	5,398,645	-	3,735,000	-
	<u>5,745,406</u>	<u>-</u>	<u>4,376,587</u>	<u>-</u>
<b>Non-current liabilities</b>				
Finance lease liabilities	793,701	-	648,602	-
Bank loans	20,704,819	-	14,509,900	-
Loan notes	61,198,529	61,198,529	55,509,613	55,509,613
	<u>82,697,049</u>	<u>61,198,529</u>	<u>70,668,115</u>	<u>55,509,613</u>

#### Bank and loan facilities

In 2014, the Company entered into facilities with a syndicate of banks. These facilities were amended in October 2017 to comprise the following:

- Facility A: a £2,000,000 loan facility repayable by instalments through to 2020 bearing interest at Libor plus a margin.
- Facility B: a £12,000,000 loan facility repayable on the termination date in 2021 bearing interest at Libor plus a margin.
- Facility C: a £7,271,000 capex facility bearing interest at Libor plus a margin.
- Facility D: a £4,160,000 revolving credit facility bearing interest at Libor plus a margin, available until 2021.

The facility balances outstanding as noted above are shown net of arrangement fees of £607,535 (2016: £575,100), £181,355 (2016: £145,000) is included within current interest bearing loans and liabilities.

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Gross	5,398,645	-	3,735,000	-
Less: loan arrangement fees	(181,355)	-	(145,000)	-
	<u>5,217,290</u>	<u>-</u>	<u>3,590,000</u>	<u>-</u>
Within one year	5,217,290	-	3,590,000	-
Between one and five years	21,130,999	-	14,940,000	-
After five years	-	-	-	-
Less: loan arrangement fees	(426,180)	-	(430,100)	-
	<u>25,922,109</u>	<u>-</u>	<u>18,099,900</u>	<u>-</u>

## Concept Life Sciences (Holdings) Limited

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

#### 18. Interest bearing loans and borrowings (continued)

The maturity of the loan notes are as follows:

##### Loan notes

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Between one and five years	61,198,528	61,198,528	-	-
After five years	-	-	55,509,613	55,509,613
	<u>61,198,528</u>	<u>61,198,528</u>	<u>55,509,613</u>	<u>55,509,613</u>

The loan notes include investor, management and vendor loan notes and have a termination date in 2022. Interest accrues at a rate of 10% per annum and accrues into the loan.

The bank loans and external loan notes were all paid down on 25 January 2018 as part of the acquisition of Concept Life Sciences (Holding) Limited and subsidiaries.

##### Finance leases

As at 31 December 2017, the Group's liabilities under finance leases are analysed as follows:

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
<b>Amounts payable under finance leases</b>				
Within one year	346,761	-	641,587	-
Between one and five years	793,701	-	648,602	-
	<u>1,140,462</u>	<u>-</u>	<u>1,290,189</u>	<u>-</u>

Assets held under finance leases consist primarily of motor vehicles and items of plant and machinery. The fair value of the Group's lease obligations approximate to their present value. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

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

## Concept Life Sciences (Holdings) Limited

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

#### 19. Other financial liabilities

Forward foreign currency contracts and interest rate swaps are carried at fair value through profit or loss (FVTPL).

	Minimum lease payments 2017 £	Present value of minimum lease payments 2017 £	Minimum lease payments 2016 £	Present value of minimum lease payments 2016 £
<b>Amounts payable under hire purchase agreements:</b>				
Within one year	366,036	346,761	646,215	641,587
Between one and five years	887,939	793,701	689,465	648,602
	<u>1,253,975</u>	<u>1,140,462</u>	<u>1,335,680</u>	<u>1,290,189</u>

Refer to note 20 Financial Instruments for further disclosures of other financial assets and liabilities.

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
<b>Current liabilities</b>				
Forward foreign currency contracts	34,486	-	1,505	-
Interest rate swaps	48,851	-	-	-
	<u>83,337</u>	<u>-</u>	<u>1,505</u>	<u>-</u>
<b>Non-current liabilities</b>				
Interest rate swaps	-	-	262,547	-
	<u>-</u>	<u>-</u>	<u>262,547</u>	<u>-</u>

#### 20. Financial instruments

The Group's principal financial instruments comprise of interest bearing loans and borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as cash balances, receivables and trade and other payables that arise from its operations, as well as a small number of derivative financial instruments.

The Group's activities expose it to various financial risks: market risk (foreign exchange risk and interest risk), liquidity risk and credit risk.

##### *Foreign exchange risk*

The Group's activities expose it to the risks of changes in foreign currency exchange rates. The Group monitors its unhedged currency risks and uses forward exchange contracts where necessary.

##### *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the statement of financial position are after any allowances for doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. Investments of cash

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 20. Financial instruments (continued)

surpluses, borrowings and derivative financial instruments are made through major United Kingdom clearing banks, which must meet minimum credit ratings as required by the Board which reduces the credit risks on these balances.

At 31 December 2017, the financial assets exposed to credit risk were as follows:

	2017	2016
	£	£
Trade and other receivables	13,485,653	10,842,070
Cash and cash equivalents	1,602,994	1,031,325
	<u>15,088,647</u>	<u>11,873,395</u>

#### *Interest risk*

The Group's exposure to interest rate risk relates primarily to obligations on finance leases and other interest bearing loans and borrowings. The Group has a policy of hedging against its long term loans. The policy is approved by the board of directors, which provides written principles on the use of financial derivatives to manage risk. The Group does not use derivatives financial instruments for speculative purposes. The Group's credit risk on derivatives is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group evaluates and follows continuously the amount of liquid funds needed for business operations, in order to secure the funding needed for business activities and loan repayments. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long term and short term debt finance.

#### **Fair values**

Most of the Group's financial instruments are carried at fair value on the Statement of Financial Position. For certain other financial instruments, specifically trade and other receivables/payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

#### **Financial assets**

		Group	Company	Group	Company
	Note	2017	2017	2016	2016
		£	£	£	£
Trade and other receivables	16	9,199,697	62,466,163	8,520,624	56,717,898
Cash and cash equivalents	17	1,602,994	-	1,031,325	-
<b>Total financial assets</b>		<u>10,802,691</u>	<u>62,466,163</u>	<u>9,551,949</u>	<u>56,717,898</u>

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 20. Financial instruments (continued)

##### Financial liabilities

	Note	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
<b>Fair value through profit or loss</b>					
Foreign exchange forward contracts	19	34,486	-	1,505	-
Interest rate swaps	19	48,851	-	262,547	-
		<u>83,337</u>	<u>-</u>	<u>264,052</u>	<u>-</u>
Interest bearing loans and borrowings - current	18	5,745,406	-	4,376,587	-
Interest bearing loans and borrowings - non current	18	82,697,049	61,198,528	70,668,115	55,509,613
Trade and other payables – current	21	11,160,145	181,358	6,943,965	-
Other payables – non current	21	590,355	-	874,897	122,008
		<u>100,276,292</u>	<u>61,379,886</u>	<u>83,127,616</u>	<u>55,631,621</u>
<b>Total financial liabilities</b>					

##### Fair value hierarchy

As at 31 December 2016, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Foreign exchange forward contracts – non-hedged

Interest rate swaps – non-hedged

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Derivative financial instruments are level 2.

## Concept Life Sciences (Holdings) Limited

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

#### 21. Trade and other payables

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
<b>Current liabilities</b>				
Trade payables	4,743,596	180,248	3,501,934	120,898
Other tax and social security	2,019,839	-	941,351	-
Other payables	2,185,977	100	235,545	100
Accruals and deferred income	2,210,733	1,010	2,265,135	1,010
	<u>11,160,145</u>	<u>181,358</u>	<u>6,943,965</u>	<u>122,008</u>
<b>Non-current liabilities</b>				
Other payables	590,355	-	874,897	-

#### 22. Provisions

	Group Property dilapidation provision £	Company Property dilapidation provision £
Balance as at 1 January 2017 and 31 December 2017	<u>286,000</u>	<u>-</u>

The provision has not been discounted on the basis that the effect is not material.

Provisions have been analysed between current and non-current as follows:

The provision relates to potential liabilities for dilapidations on leased properties at the point of exit. The provision is expected to be utilised over the next 8 years.

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Current	-	-	-	-
Non current	286,000	-	286,000	-
	<u>286,000</u>	<u>-</u>	<u>286,000</u>	<u>-</u>

## Concept Life Sciences (Holdings) Limited

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

#### 23. Deferred tax assets and liabilities

##### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 Assets £	2017 Liabilities £	2017 Net £	2016 Assets £	2016 Liabilities £	2016 Net £
<b>Group</b>						
Property, plant and equipment	-	(571,017)	(571,017)	-	(494,710)	(494,710)
Temporary trading differences	20,507	-	20,507	45,353	-	45,354
Temporary non trading	34,683	-	34,683	-	-	-
Loan relationships	-	-	-	41,075	-	41,075
R&D expenditure credit	4,975	-	4,975	183,149	-	183,149
Intangible fixed assets	-	(2,571,569)	(2,571,569)	-	(1,937,587)	(1,937,587)
	<u>60,165</u>	<u>(3,142,586)</u>	<u>(3,082,421)</u>	<u>269,577</u>	<u>(2,432,297)</u>	<u>(2,162,719)</u>

##### Movement in deferred tax during the year

	Property, plant and equipment £	Intangible assets £	Tax losses £	Other £	Total £
<b>Group</b>					
Balance as at 31 December 2015	(741,526)	(2,306,696)	395,646	279,586	(2,372,990)
Recognised in income	246,816	369,109	(395,646)	(10,008)	210,273
Balance as at 31 December 2016	(494,710)	(1,937,587)	-	269,578	(2,162,719)
Recognised in income	(76,307)	-	-	(209,413)	(285,720)
Recognised on acquisition	-	(633,982)	-	-	(633,982)
Balance as at 31 December 2017	<u>(571,017)</u>	<u>(2,571,569)</u>	<u>-</u>	<u>60,165</u>	<u>(3,082,421)</u>

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 24. Called-up share capital

	2017 Number of shares issued	2017 Ordinary share capital £	2016 Number of shares issued	2016 Ordinary share capital £
<b>Issued ordinary share capital</b>				
A Ordinary shares of 10p each	732,500	73,250	732,500	73,250
B Ordinary shares of 10p each	30,660	3,066	30,660	3,066
C Ordinary shares of 10p each	85,000	8,500	85,000	8,500
D Ordinary shares of 10p each	85,000	8,500	85,000	8,500
E Ordinary shares of 60p each	10,000	6,000	10,000	6,000
F Ordinary shares of 40p each	15,000	6,000	15,000	6,000
G Ordinary shares of 10p each	13,690	1,369	13,690	1,369
J Ordinary shares of 10p each	18,150	1,815	18,150	1,815
K Ordinary shares of 60p each	10,000	6,000	10,000	6,000
L Ordinary shares of 1p each	10,000	100	10,000	100
	<u>1,010,000</u>	<u>114,600</u>	<u>1,010,000</u>	<u>114,600</u>

#### Rights of shares

Dividends shall be distributed *pari passu* amongst the holders of the A Shares, B Shares, C Shares, D Shares, E Shares, F Shares, G Shares and K Shares. The J Shares and the L shares shall not be entitled to participate in any dividend.

On return of capital, all shares shall have attached to them full capital distribution rights (including on wind up).

Each holder of an A Share, B Share, C Share, D Share, E Share, F Share, G Share, and K Share shall be entitled to receive notice of, and each such holder shall be entitled to attend and vote at, general meetings of the Company.

## Concept Life Sciences (Holdings) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2017

#### 25. Analysis of net cash

Net cash consists of cash and cash equivalents together with other borrowings from bank loans and overdrafts, loan notes, finance lease and similar hire purchase contracts.

	As at 1 January 2017 £	Cash flow £	Non-cash movements £	As at 31 December 2017 £
Cash at bank and in hand	1,031,325	571,669	-	1,602,994
Cash and cash equivalents	1,031,325	571,669	-	1,602,994
Interest-bearing loans and borrowings:				
Finance lease liabilities	(1,290,189)	149,727	-	(1,140,462)
Debt > 1 year	(70,449,613)	(6,000,000)	(5,847,480)	(82,297,093)
Debt < 1 year	(3,880,000)	(1,700,000)	-	(5,580,000)
	<u>(74,588,477)</u>	<u>(6,978,604)</u>	<u>(5,847,480)</u>	<u>(87,414,561)</u>

#### 26. Financial commitments

##### Capital commitments

As at 31 December 2017 the Group had entered into contracts to purchase property, plant and equipment as follows:

	2017 £	2016 £
<b>Group</b>		
Contracted for not provided	<u>232,472</u>	<u>111,490</u>

##### Operating lease commitments

The Group leases various property, plant and equipment under non-cancellable operating lease agreements.

Undiscounted total future minimum lease rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2017 £	Plant and equipment 2017 £	Land and buildings 2016 £	Plant and equipment 2016 £
<b>Group</b>				
Within one year	1,432,028	609,517	1,468,739	415,582
Between one and five years	5,596,919	426,960	4,171,774	410,639
After five years	4,038,155	-	1,582,465	-
	<u>11,067,102</u>	<u>1,036,477</u>	<u>7,222,978</u>	<u>826,221</u>

There are no commitments held by the Company.

## Concept Life Sciences (Holdings) Limited

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

#### 27. Pension schemes

The pension charge for the year represents contributions payable by the Group of £447,050 (2016: £367,964) in respect of employees and £nil (2016: £nil) in respect of Directors.

The amount owed to the schemes at the year-end was £120,624 (2016: £73,294).

#### 28. Related party transactions and balances

During the year, £182,000 (2016: £182,000) was paid to a third party in respect of a director's services.

##### *Long term Incentive Plan*

In July 2015 a Long term Incentive Plan was established for certain senior managers under the Government's Employee Share Scheme. The senior managers have subscribed to "L" ordinary shares which means the holders cannot participate in dividends, nor do they have any rights to attend and vote at general meetings of the Company. Under the terms of the agreement the senior managers may be entitled to a share of the proceeds if the Company is sold or listed on the Stock Exchange, but only after all bank debt has been paid and other equity holders have achieved their target return on investment. Entrants to the scheme have been phased in since July 2015 and as at 31 December 2016 the scheme is full such that a new entrant can only be admitted if a current member leaves the scheme. At 31 December 2017, a share-based payment charge was not recognised in relation to these share options on the basis that there was no certainty as to the timing or likelihood of an exit transaction that could trigger a payment.

As a result of the acquisition of the Concept Group (see note 30), these shares vested post the year end.

#### 29. Ultimate parent undertaking and controlling party

At 31 December 2017, Equistone Partners Europe LLP was the ultimate controlling party by virtue of its controlling interest in the issued share capital of Concept Life Sciences (Holdings) Limited. The registered address is One St Peter's Square, Manchester, M2 3DE.

The results of Concept Life Sciences (Holdings) Limited were not consolidated at a higher level.

#### 30. Events after the financial position 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 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.