

Albany Molecular Research Limited

**Directors' report and financial
statements**

Registered number 05045523

Year ended 31 December 2015

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Company information

Directors

D J Shepherd (Resigned 30 June 2015)
L M Henderson
M Nolan (Resigned 3 February 2015)
F Ladin (Appointed 30 June 2015)

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers

Barclays
5 St Ann's Street
Quayside
Newcastle upon Tyne
NE1 3DX

Solicitors

DLA Piper UK LLP
Princes Exchange Princes Square
Leeds
LS1 4BY

Registered Office

Mostyn Road
Holywell
Flintshire
CH8 9DN

Strategic report

The directors present their annual strategic report and the audited financial statements for the financial year ended 31 December 2015.

Principal activities

The principal activity of the company during the year was the provision of a head office and management function to its subsidiary companies. These subsidiaries offer chemistry services and products to customers in the pharmaceutical, biotech and chemicals value chain.

Results and dividends

The loss for the year after taxation amounted to £2,003,375 (2014: loss £5,607,810). The directors do not recommend payment of a final ordinary dividend.

Business review

This company has been dormant for a number of years. In July 2015 Albany Molecular Research Inc. (the ultimate parent company) acquired Gadea Grupo Farmaceutico S.L. in Spain by way of a Share Purchase Agreement. Part of the financing went through Albany Molecular Research Limited by way of the issue of Share capital and inter-company loans between Albany Molecular Luxembourg S.a.r.l. and The Spanish Holding Company. The results for the Company will reflect the transaction of interest payable and receivable between the respective parties.

Key performance indicators

The local management use a number of financial and non-financial indicators to measure the performance of the business.

Principal Risks and Uncertainties

The company operates in an extremely competitive Contract Research Organisation market environment. The key risks and uncertainties identified as facing the business are:

1. Competition from Far East companies that operate within a lower cost base and hence are able to attract business at lower prices. This may be mitigated by implementing cost reduction initiatives and operating to high standards of quality and customer service.
2. The company may be impacted by strategic decisions of large customers and their internal product pipelines. The business is mitigating this by seeking to diversify its portfolio and working with customers in other markets and with later phase / commercial products.

Future Developments

The company continues to build on the sales growth by way of investment in its quality standards, people and equipment; and constantly reviewing and fine tuning the sales and operation strategies.

By order of the board,



L. M. Henderson
Director

Mostyn Road
Holywell
Flintshire, CH8 9DN

Date: 9/26/14

Directors' report

The directors present their directors' report and the audited financial statements for the financial year ended 31 December 2015.

Directors

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

D J Shepherd	(Resigned 30 June 2015)
L M Henderson	
M Nolan	(Resigned 3 February 2015)
F Ladin	(Appointed 30 June 2015)

M Nolan was also an executive officer of the ultimate parent undertaking, Albany Molecular Research Inc. and his interests in this company are disclosed in the group financial statements of that company.

Going concern

Based on the most recent projections and the expectations of on-going financing, the directors have prepared the financial statements on a going concern basis. This is explained further in note 1 to these financial statements.

Political and charitable contributions

During the year, the company made charitable donations totalling £nil (2014: £nil) and political contributions of £nil (2014: £nil).


Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board,


L. M Henderson
Director

Mostyn Road
Holywell
Flintshire
CH8 9DN

Date: 9/26/16

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Albany Molecular Research Limited

We have audited the financial statements of Albany Molecular Research Limited for the year ended 31 December 2015 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Albany Molecular Research Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Hywel Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

29 September 2016.

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2015

	<i>Note</i>	31 December 2015 £	31 December 2014 £
Administrative income		764	-
Operating profit/(loss)	2	764	-
Exceptional item - Write off of intercompany balance		-	1,582,302
Exceptional item - Write down of Investment in AMR(UK)	3	-	(7,190,112)
Exceptional item - Write down of Investment in Exirisk S.L.U.	3	(2,069,140)	-
Loss on ordinary activities before interest and taxation		(2,068,376)	(5,607,810)
Interest receivable		1,300,018	-
Interest payable and similar charges	4	(1,235,017)	-
Loss on ordinary activities before taxation		(2,003,375)	(5,607,810)
Tax on loss on ordinary activities	5	-	-
Loss for the financial period		(2,003,375)	(5,607,810)
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		(2,003,375)	(5,607,810)


The notes on pages 10 to 15 form an integral part of these financial statements.

Balance Sheet
at 31 December 2015

	<i>Note</i>	31 December 2015 £	31 December 2014 £
Fixed assets			
Investment	6	37,161,313	3,354,888
Current assets			
Debtors	7	58,129,624	-
Creditors: amounts falling due within one year	8	58,129,624 (58,063,860)	-
Net assets		37,227,078	3,354,888
Capital and reserves			
Called up share capital	10	47,311,565	11,436,000
Share premium account	10	349,000	349,000
Profit and loss account	10	(10,433,487)	(8,430,112)
Shareholders' funds		37,227,078	3,354,888

The notes on pages 10 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 26/1/16 and were signed on its behalf by:


L M Henderson
Director

Statement in Changes in Equity
At 31 December 2015

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total Equity £
Balance at 1 January 2014	10,886,000	349,000	(2,822,302)	8,412,698
Total comprehensive income for the period				
Loss for the year	-	-	(5,607,810)	(5,607,810)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(5,607,810)	(5,607,810)
Transactions with owners, recorded directly in equity:				
Issue equity	550,000	-	-	550,000
Total contributions by and distributions to owners	550,000	-	-	550,000
Balance at 31 December 2014	11,436,000	349,000	(8,430,112)	3,354,888

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total Equity £
Balance at 1 January 2015	11,436,000	349,000	(8,430,112)	3,354,888
Total comprehensive income for the period				
Loss for the year	-	-	(2,003,375)	(2,003,375)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(2,003,375)	(2,003,375)
Transactions with owners, recorded directly in equity:				
Issue equity	35,875,565	-	-	35,875,565
Total contributions by and distributions to owners	35,875,565	-	-	35,875,565
Balance at 31 December 2015	47,311,565	349,000	(10,433,487)	37,227,078

Notes

(forming part of the financial statements)

1 Accounting policies

Albany Molecular Research Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. In the transition to FRS 102 from UK GAAP, the Company has made no measurement and recognition adjustments.

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Basis of preparation

The accounts have been prepared on the going concern basis as the company's ultimate parent undertaking, Albany Molecular Research Incorporated has undertaken to provide continuing financial support.

The company has a contract with a large pharmaceutical company at their Erl Wood facility which was signed in 2014 for at least three years and will generate revenue and profits through the UK company.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. To the extent that invoices are raised in advance of supply, appropriate adjustments are made through deferred income.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Notes (continued)

1 Accounting policies (continued)

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project. Amortisation commences when commercial production of products from the related project begins.

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme and contributes to personal pension arrangements for certain directors. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

2 Operating Profit/(loss)

This is stated after charging/(crediting):

	31 December 2015 £	31 December 2014 £
Foreign currency gain	(764)	-

3 Exceptional items

	31 December 2015 £	31 December 2014 £
Write down of Investment in AMR (UK)	-	(7,190,112)
Carrying value of investment written down as a result of the closure notice of the company.	<u> </u>	<u> </u>
Write down of Investment in Exirisk S.L.U	(2,069,140)	-
Adjustment relating to reduce the carrying value to the net realisable value.	<u> </u>	<u> </u>

4 Interest

	31 December 2015 £	31 December 2014 £
Interest receivable and similar income		
Intra group loan interest	1,300,018	-
Interest payable and similar charges		
Intra group loan interest	1,235,017	-

Interest in period relates to group loans as part of the acquisition of Gadea Grupo Farmaceutico S.L.

Notes (continued)

5 Taxation

(a) There is no tax charge for the period.

(b) Reconciliation of effective tax rate

The tax assessed on the loss on ordinary activities for the period is lower (2014: higher) than the standard rate of corporate tax in the UK of 20.25% (2014: 21.50%). The differences are reconciled below:

	31 December 2015 £	31 December 2014 £
<i>Reconciliation of effective tax rate</i>		
Loss on ordinary activities before tax	(2,003,375)	(5,607,810)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).	(405,683)	(1,205,679)
<i>Effects of:</i>		
Disallowed expenses and non taxable income	419,001	1,205,679
Other timing differences	-	-
(Utilised)/unrelieved tax losses and other deductions in the period	(13,318)	-
Tax expense included in profit or loss	-	-

(c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 3 April 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge and deferred tax liability accordingly.

The unrecognised deferred taxation asset is as follows:

	31 December 2015 £	31 December 2014 £
Tax losses	1,261,284	1,516,093
Other timing differences	5,713	3,848
Accelerated capital allowances	218,686	264,200
	1,485,683	1,784,141

Notes (continued)

6 Fixed asset investments

	Albany Molecular Research (UK) Ltd £	Exirisk Spain, S.L.U. £	Total £
<i>Cost and net book value</i>			
At 31 December 2014	3,354,888	-	3,354,888
Additions	-	35,875,565	35,875,565
Impairment losses	-	(2,069,140)	(2,069,140)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015	3,354,888	33,806,425	37,161,313
	<u> </u>	<u> </u>	<u> </u>

In July 2015 Albany Molecular Research Inc. (the ultimate parent company) acquired Gadea Grupo Farmaceutico S.L. in Spain by way of a Share Purchase Agreement. Part of the financing went through Albany Molecular Research Limited by way of the issue of share capital (2,200,000 shares) and inter-company loans between Albany Molecular Luxembourg S.a.r.l. and the Spanish holding Company.

The write down of investment in Exirisk Spain to net realisable value amount to £33,806,425. The write down is included as an exceptional cost in the profit and loss account.

7 Debtors

	31 December 2015 £	31 December 2014 £
Amounts owed by group undertakings	58,129,624	-
	<u> </u>	<u> </u>
	58,129,624	-
	<u> </u>	<u> </u>

Amounts owed by group undertakings are unsecured and repayable on demand. The interest rate is at 5% pa.

8 Creditors: amounts falling due within one year

	31 December 2015 £	31 December 2014 £
Amounts payable to group undertakings	58,063,860	-
	<u> </u>	<u> </u>
	58,063,860	-
	<u> </u>	<u> </u>

Amounts owed to group undertakings are unsecured and repayable on demand. The interest rate is at 4.75% pa.

Notes (continued)

9 Called up share capital

	31 December 2015 £	31 December 2014 £
<i>Alotted, called up and fully paid</i> 473,115,650 (2014: 114,372,170) Ordinary shares of £ 0.10 each	47,311,565	11,436,000

10 Reconciliation of shareholders' funds and movements on reserves

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total shareholders funds £
At 31 December 2013	10,886,000	349,000	(2,822,302)	8,412,698
Issue of share capital	550,000	-	-	550,000
Loss for the year	-	-	(5,607,810)	(5,607,810)
At 31 December 2014	11,436,000	349,000	(8,430,112)	3,354,888
Issue of share capital	35,875,565	-	-	35,875,565
Loss for the year	-	-	(2,003,375)	(2,003,375)
At 31 December 2015	47,311,565	349,000	(10,433,487)	37,227,078

11 Related party transactions

The directors have taken advantage of the exemption in FRS 102 Chapter 33.1A and, as the Company is a wholly owned subsidiary of Albany Molecular Research Inc., have not disclosed related party transactions with parent and fellow subsidiary undertakings.

12 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Albany Molecular Research Incorporated, a NASDAQ quoted company, which is incorporated in the United States of America. Copies of the financial statements for Albany Molecular Research Incorporated are available from its registered office: 26 Corporate Circle, Albany, NY.