

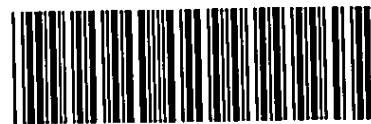
Avacta Animal Health Limited

STATUTORY FINANCIAL STATEMENTS

for the year ended

31 July 2012

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Avacta Animal Health Limited

CONTENTS

Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent Auditor's Report to the members of Avacta Animal Health Limited	5
Profit and loss account	6
Balance sheet	7
Reconciliation of movement in shareholder's funds	8
Notes	9

Avacta Animal Health Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Avacta Animal Health Limited for the year period ended 31 July 2012

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of allergy testing for animals

REVIEW OF THE BUSINESS

Avacta Animal Health provides diagnostic products, reagents and services for the US\$1.5 billion global veterinary diagnostics market. Its aim is to equip veterinary professionals with high quality animal health and well-being information, through point-of-care diagnostics, reagents and testing kits and through laboratory based testing services. Its lead product, the AX 1 point-of-care immunoassay system, is aimed at providing the veterinarian with rapid serological blood test results in the clinic. A number of issues in the scale-up to manufacture that had delayed the commercial launch of the product have now been resolved and, since the end of the reporting period, the first units of AX 1 have been placed into a number of veterinary practices as part of the final product testing process before full commercialisation. This testing process, which is being carried out by the vets themselves in the clinical setting, is intended to capture any feedback that could be important in ensuring rapid adoption and the early success of the product. The testing process is planned to last for 3 months.

The initial range of tests that will be provided to run on AX 1 for canine, feline and equine healthcare relates to Avacta's world-leading allergy testing brand Sensitest®. Expansion of the AX 1 test menu is key to supporting the growth of recurring revenue and extensive clinical and commercial work over the past year has delivered a candidate panel of more than 20 further diagnostic tests across companion animal and equine healthcare applications.

RESEARCH AND DEVELOPMENT

During the year the company incurred expenditure on research and development activities amounting to £52,000 (2011: £Nil).

RESULTS AND DIVIDENDS

The loss for the period after taxation was £622,470 (2011: loss £149,416). The directors do not recommend the payment of a dividend (2011: £nil).

FUTURE DEVELOPMENTS

The directors consider that the range of testing services currently provided can be extended to include new tests to enable growth in revenues from its core business.

DIRECTORS

The directors who served the company during the period and to the date of this report were as follows:

DAM Smith
JE Hogg
TJ Sykes

Avacta Animal Health Limited

DIRECTORS' REPORT

FINANCIAL INSTRUMENTS

The main financial risk faced by the Company is interest rate risk. The Board reviews and agrees policy for managing this risk. As permitted by FRS13, short-term debtors and creditors have been excluded from all of the numerical disclosures.

Interest rate risk

The Company continues to manage the cash position in a manner designed to maximise interest income, while at the same time minimising any risk to these funds. Surplus cash funds are deposited with commercial banks that meet credit criteria approved by the Board, for periods between one and six months.

AUDITOR

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are 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 or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



TJ Sykes
Director

22 November 2012

Registered office
Unit 651
Street 5
Thorp Arch Estate
Wetherby
LS23 7FZ

Avacta Animal Health Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVACTA ANIMAL HEALTH LIMITED

We have audited the financial statements of Avacta Animal Health Limited for the year ended 31 July 2012, set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 more fully explained 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 (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the 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 July 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

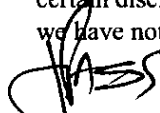
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.



Jonathan Pass, Senior Statutory Auditor
For and on behalf of KPMG Audit Plc Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
22 November 2012

Avacta Animal Health Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2012

	<i>Notes</i>	2012 £	2011 £
TURNOVER	2	1,441,859	1,182,666
Cost of sales		(392,334)	(506,531)
Gross profit		1,049,525	676,135
Administrative expenses		(1,700,416)	(852,883)
OPERATING LOSS	3	(650,891)	(176,748)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(650,891)	(176,748)
Taxation	5	28,421	27,332
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	11	(622,470)	(149,416)

The loss for the year arises from the company's continuing operations

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

The notes on pages 9 to 14 form part of these financial statements

Avacta Animal Health Limited

Company Registration No 03879639

BALANCE SHEET at 31 July 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	6	83,471	42,283
CURRENT ASSETS			
Stocks	7	89,239	56,945
Debtors	8	264,654	364,696
Cash at bank and in hand		100,507	105,481
		<u>454,400</u>	<u>527,122</u>
CREDITORS Amounts falling due within one year	9	(1,305,396)	(729,559)
NET CURRENT (LIABILITIES) / ASSETS		<u>(850,996)</u>	<u>(202,437)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(767,525)</u>	<u>(160,154)</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	11	(767,625)	(160,254)
SHAREHOLDER'S (DEFICIT) / FUNDS		<u>(767,525)</u>	<u>(160,154)</u>

The notes on pages 9 to 14 form part of these financial statements

The financial statements on pages 6 to 14 were approved by the board of directors and authorised for issue on 22 November 2012 and are signed on its behalf by



DAM Smith
Director



TJ Sykes
Director

Avacta Animal Health Limited
RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
for the year ended 31 July 2012

	Year ended 31 July 2012 £	Year ended 31 July 2011 £
Loss for the financial period	(622,470)	(149,416)
Share based payment charges	15,099	1,159
DECREASE IN SHAREHOLDER'S FUNDS	(607,371)	(148,257)
Opening shareholder's (deficit)/funds	(160,154)	(11,897)
CLOSING SHAREHOLDER'S DEFICIT	(767,525)	(160,154)
REPRESENTED BY		
Equity interests	(767,525)	(160,154)

The notes on pages 9 to 14 form part of these financial statements

Avacta Animal Health Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2012

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

BASIS OF PREPARATION

The financial statements have been prepared on the basis that the company will continue to be able to trade as a going concern which assumes the ongoing support of Avacta Group plc

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

As the company is a wholly owned subsidiary of Avacta Group plc the company has taken advantage of the exception contained within FRS 8 and has not disclosed transactions with entities that form part of the group. The consolidated financial statements of Avacta Group plc can be obtained from the registered office as detailed on page 3

TURNOVER

Turnover represents the right to consideration for goods and services provided, net of value added tax

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historic cost. Depreciation is provided at rates calculated to write off cost less estimated residual value of each asset over its expected useful life, as follows

Fixtures and fittings	-	10 - 20% per annum straight line
Laboratory equipment	-	20 - 33% per annum straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

STOCK

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion. Provision is made for obsolete, defective or slow-moving stock where appropriate

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Avacta Animal Health Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2012

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance lease'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred unless it is capital in nature whereby it is deferred and released to the profit and loss account to match the life of the related asset.

2 TURNOVER

In the period to 31 July 2012 40% (2011 30%) of the company's turnover was to markets outside the UK.

3 OPERATING LOSS

	Year ended 31 July 2012 £	Year ended 31 July 2011 £
Operating profit is stated after charging		
Depreciation of tangible fixed assets	20,413	6,925
Research and development expenditure	51,653	4

Avacta Animal Health Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2012

4	EMPLOYEES	Year ended 31 July 2012 No	Year ended 31 July 2011 No
	The average monthly number of persons (including directors) employed by the company during the period was		
	Office and management	23	15
		<u>£</u>	<u>£</u>
	Staff costs for above persons		
	Wages and salaries	627,200	354,935
	Social security costs	66,055	34,401
	Pension costs	9,424	6,673
	Share-based payment charge	15,099	1,159
		<u>717,778</u>	<u>397,168</u>
		<u>£</u>	<u>£</u>
	DIRECTORS' REMUNERATION	Year ended 31 July 2012 £	Year ended 31 July 2011 £
	Total emoluments	59,537	64,477

The Group operates a defined contribution Group personal pension plan. The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2011: 1). The aggregate value of contributions paid by the Company in respect of these directors was £2,657 (2011: £3,070).

One of the Directors of the Company was remunerated by the Company and the remaining Directors by the Company's ultimate parent undertaking, Avacta Group plc. Copies of the report and accounts of that company are available from the registered office as detailed on page 3.

Avacta Animal Health Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

5	TAXATION	Year ended 31 July 2012 £	Year ended 31 July 2011 £
	Corporation tax		
	Current year	28,421	27,332
	Total current tax	28,421	27,332

The tax credit assessed for the period is lower than the standard rate of corporation tax in the UK of 25.3% (2011: 27.3%). The differences are explained below

	Year ended 31 July 2012 £	Year ended 31 July 2011 £
Loss on ordinary activities before tax	(650,891)	(176,748)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.3% (2011: 27.3%)	(164,675)	(48,305)
Effects of		
Expenses not deductible for tax purposes	67	324
Capital allowances (in excess of)/less than depreciation	5,163	(6,669)
Prior year over provision	-	-
R&D tax credit	28,421	27,332
Losses carried forward	159,445	54,650
Current tax charge for the period	28,421	27,332

Research and development tax credits relating to 2011 and 2012 have been recognised in the current year. In the prior year the amount recognised related to 2010 only.

There is no liability to corporation tax in the year. There is a deferred tax asset due to trading losses in this and prior financial years of approximately £214,000 (2011: £55,000). This asset has not been recognised. The profit which would utilise these losses cannot yet be forecast with sufficient reliability.

Avacta Animal Health Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

6 TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £
Cost	
1 August 2011	73,899
Additions	61,601
Disposals	(7,885)
31 July 2012	127,615
Depreciation	
1 August 2011	31,616
Charge for the period	20,413
Disposals	(7,885)
31 July 2012	44,144
Net book value	
31 July 2012	83,471
31 July 2011	42,283

7 STOCK	2012	2011
	£	£
Raw materials	74,737	49,667
Finished goods	14,502	7,278
	89,239	56,945
8 DEBTORS	2012	2011
	£	£
Trade debtors	134,393	114,084
Amounts owed by fellow subsidiary undertakings	84,748	222,106
Prepayments	14,758	21,388
Other debtors	2,334	7,118
Corporation tax	28,421	-
	264,654	364,696

Avacta Animal Health Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

9	CREDITORS Amounts falling due within one year	2012 £	2011 £
	Trade creditors	135,555	93,730
	Corporation tax	-	-
	Other taxes and social security	24,626	33,683
	Accruals and deferred income	199,460	42,316
	Other creditors	1,467	2,533
	Amounts owed to ultimate parent undertaking	938,979	532,221
	Amounts owed to fellow subsidiary undertakings	5,309	25,076
		<u>1,305,396</u>	<u>729,559</u>
10	SHARE CAPITAL	2012 £	2011 £
	Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, issued and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
11	STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT		Profit and loss account £
	Balance at 1 August 2010		(160,254)
	Loss for the period		(622,470)
	Share based payment charges		15,099
	At 31 July 2011		<u>(767,625)</u>
12	ULTIMATE PARENT UNDERTAKING		
	The ultimate parent undertaking is Avacta Group plc, a company registered in England and Wales. Copies of the report and accounts of that company are available from the registered office as set out on page 3.		
	The immediate parent undertaking is Crossco (1127) Limited, a company registered in England and Wales. Copies of the report and accounts of that company are available from the registered office as set out on page 3.		