

MOREDUN SCIENTIFIC LIMITED

**ANNUAL REPORT
YEAR ENDED 31 MARCH 2012**

Registered Number: SC107439

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Moredun

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

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YEAR ENDED 31 MARCH 2012**

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MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

COMPANY INFORMATION
YEAR ENDED 31 MARCH 2012

PRINCIPAL BUSINESS ADDRESS: Pentlands Science Park
Bush Loan
Penicuik
Midlothian
EH26 0PZ

REGISTERED OFFICE ADDRESS: Pentlands Science Park
Bush Loan
Penicuik
Midlothian
EH26 0PZ

AUDITORS: Scott-Moncrieff Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

SOLICITORS: Tods Murray LLP
Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9AG

PRINCIPAL BANKERS: Bank of Scotland plc
300 Lawnmarket
Edinburgh
EH1 2PH

WEBSITE: www.moredun.org.uk

**CHAIRMAN'S REPORT
YEAR ENDED 31 MARCH 2012**

In the previous report, I indicated that there were signs of a return to more stable conditions after a period of uncertainty for some of our main customers in the animal health pharmaceutical industry. It is good to be able to confirm that this has become a reality although there continues to be doubt as to the future ownership of one of our major customers. Therefore, it is encouraging to report that there has been increased interest in the services of Moredun Scientific Limited from existing and new customers in both the Animal Health and Biosafety parts of the business.

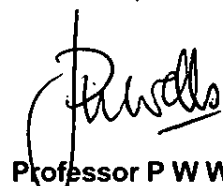
The staff of Moredun Scientific Limited are to be congratulated for their efforts in securing new business and through their willingness to be flexible in their working practices to handle the changing patterns of the workload, to complete the contracts efficiently. In contrast to the previous year when regrettably there was a need to reduce staff numbers, in 2011-2012 headcount has increased by 4 since the start of the financial year.

As noted in the Directors' Report, it is encouraging to see a large increase in turnover during the year. The performance of the Animal Health Division shows signs of business returning to the levels that were experienced in the years prior to 2009, while the Biosafety Division is continuing the commendable growth that it has achieved since the first complete year of start-up in 2010. Despite these successes, the company has still relied on the support of the member companies in the Moredun Group for which the board is grateful.

As the commercial arm of the Moredun Group, Moredun Scientific Limited contributed £908.5k through the purchase of services and gift aid transfers.

Looking forward it is important to maintain the momentum and continue to pursue new business. The strategy and business plan were reviewed and revised for 2012-2013 with the recognition that for Animal Health we must continue to seek contracts from a broader client base and in Biosafety we need to build the business through effective partnerships. The vision of the company is defined: 'To deliver global services to the animal health and biopharmaceutical industries'.

The Board join me in thanking the staff of Moredun Scientific Limited for their continued support throughout the year and Professor Donachie for his leadership of the team as the business has entered a phase of regeneration.



Professor P W Wells
Chairman

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

**DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2012**

The directors present their annual report together with the audited financial statements for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The company's principal activities during the year were the development and testing of vaccines and products in relation to the prevention of animal disease. Contract research services to the animal health industry have traditionally constituted the company's main business and it has an ability to combine established expertise in Good Laboratory Practice, Good Manufacturing Practice and Good Clinical Veterinary Practice quality systems with the pioneering scientific work being conducted at Moredun Research Institute to provide a unique service.

REVIEW OF THE BUSINESS

During the year, staff worked hard to attract new business and it is encouraging to note that turnover increased by just under 89% over the previous year. The growth in the animal health division business amounted to just under 125% although this division remains susceptible to market fluctuations and changes in the animal health industry. Focus remains on developing new service offerings and it is encouraging to note that turnover from other services increased by over 62% helped by additional investments made in our facilities with the support of the company's parent company, The Moredun Foundation. Following a restructuring of the business in the previous year, overheads were reduced by over 16%. Overall, the company made a profit for the financial year amounting to £117,462 (2011: loss of £331,636). This is stated after providing for payments totalling £215,396 (2011: £185,361) under Gift Aid.

FUTURE DEVELOPMENTS

The board continues to monitor the cost base of the company closely and has been encouraged by a sustained increase in contract activity throughout the year. As reported last year, the company continues to operate within a challenging sector but has taken decisions that should generate additional business in the 2012/2013 financial year to continue the return to profitability reported this year.

DIRECTORS

The directors in office during the year were as follows:

Prof P W Wells (Chairman)*[§][^]
Prof W Donachie[^]
Mr J D Mackinnon

Mr D Danson*
Prof J L Fitzpatrick*[§][^]
Prof J M Preston

**Member of the Remuneration Committee, [§]Member of the Group Remuneration Advisory Committee, [^]Member of the Group Chairman's Executive Committee*

There have been no changes in directorship between the end of the year and the date of this report. None of the directors had any interest in the share capital of the company at any time during the year. No rights were granted or exercised to subscribe for shares or debentures in the company. The company confirms that it has in place a Directors' and Officers' Liability Insurance Policy.

The Company Secretary during the year was Mr C N Burnett.

DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2012

ULTIMATE HOLDING ORGANISATION

Moredun Scientific Limited is a wholly owned subsidiary of The Moredun Foundation.

AUDITORS

Scott-Moncrieff is eligible for re-appointment as auditor to the company and a resolution proposing its re-appointment will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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 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;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

IDENTIFICATION OF BUSINESS RISKS AND BUSINESS CONTINUITY PLANNING

The Board of Directors is responsible for identifying the major business risks faced by the company and for determining the appropriate course of action to manage those risks. The Board of Directors receives reports as necessary to deal with such risks that arise. During the year the company continued to participate in the group wide business continuity planning exercises which regularly test the formal documented procedures.

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2012

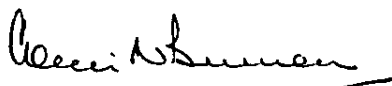
INTERNAL FINANCIAL CONTROL

The Board of Directors, through the Audit Committee of its parent company regularly reviews the effectiveness of the company's systems of financial control. The Group Audit Committee reviews the annual financial statements and reviews the nature, scope and results of the external audit. Any significant findings or identified risks are closely examined so that appropriate action can be taken. The Board of Directors also approves the annual budget and regularly considers the actual results compared with budget. The Group Finance Director, who is also the Company Secretary, attends all board meetings.

SPECIAL EXEMPTIONS

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Signed on behalf of the board of directors



Mr C N Burnett
Secretary

Approved by the board: 5 September 2012

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the financial statements of Moredun Scientific Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's member, as a body, in accordance with Sections 495 and 496 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 auditors

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 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 Boards (APB's) Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note 16 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements, if we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2012 and of its profit 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(s) prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report.

Scott-Moncrieff

Gillian Donald (Senior Statutory Auditor)

for and on behalf of Scott-Moncrieff Statutory Auditor, Chartered Accountants
Exchange Place 3, Sempole Street, Edinburgh, EH3 8BL

Date 5 September 2012

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
Turnover	1b	1,811,677	959,801
Cost of sales		(1,330,929)	(825,936)
Gross profit		480,748	133,865
Administrative expenses		(415,459)	(497,004)
		65,289	(363,139)
Other operating income		233,206	205,041
Payment under Gift Aid	2	(215,396)	(185,361)
OPERATING PROFIT/(LOSS)	5	83,099	(343,459)
Other interest receivable and similar income	3	537	569
Interest payable and similar charges	4	-	(1,424)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		83,636	(344,314)
Taxation on profit/(loss) on ordinary activities	15	33,826	12,678
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		117,462	(331,636)

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

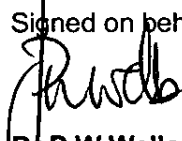
MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

**BALANCE SHEET
AT 31 MARCH 2012**

	Note	2012		2011	
		£	£	£	£
Fixed assets					
Tangible Assets	6		102,958		98,025
Current assets					
Stock and work in progress	7	30,421		36,244	
Debtors	8	588,626		270,926	
Cash at bank and in hand		71,254		41,921	
		690,301		349,091	
Creditors: Amounts falling due within one year	9	(646,699)		(418,018)	
Net current (liabilities)/assets			43,602		(68,927)
NET ASSETS			146,560		29,098
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		146,460		28,998
EQUITY SHAREHOLDERS' FUNDS			146,560		29,098

The accounts have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Signed on behalf of the board of directors


Dr P W Wells
Director

Approved by the board: 5 September 2012

Company Number: SC107439

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

b) Turnover

Turnover is the total amount excluding trade discounts and Value Added Tax derived from the provision of goods and services falling within the ordinary activities of the business. The policy of revenue recognition reflects Urgent Issues Task Force (UITF) 40. Where the substance of a contract is that the contractual obligations are performed gradually over time, revenue is recognised as contract activity progresses to reflect the partial performance of the contractual obligations. The amount of revenue reflects the accrual of the right to consideration as contract activity progresses by reference to the value of the work performed adjusted for any uncertainties as to the amount the client will accept and be able to pay. Amounts invoiced for work not yet completed are included in deferred income.

c) Tangible Fixed Assets and Depreciation

Tangible fixed assets comprising plant and machinery are written off over their estimated useful lives on a straight line basis at rates between 15% and 33.33%.

d) Stock

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

e) Pension Costs

The company contributes to employees' Personal Pension Plans. The amount charged to the profit and loss account in respect of pension costs represents contributions payable in the year.

f) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

g) Grant Income

Confirmed grant income, relating to product development expenses, is credited to income in the period in which the costs to which the grant relates were incurred.

h) Operating Leases

Operating lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (Continued)

i) **Research and Development**

Research and development costs necessarily incurred in the manufacture of products are allocated to cost of sales in the period in which the expenditure was incurred.

j) **Assets held under Finance Lease or Hire Purchase Agreements**

Assets held under finance lease or hire purchase agreements are capitalised and included in tangible fixed assets. An equivalent amount is credited to hire purchase / finance lease creditor in the balance sheet. This creditor is then amortised by the capital element of the repayments. The interest payable under any finance lease or hire purchase agreement is charged to the profit and loss account in the period in which it falls due.

k) **Foreign Currency Translation**

Assets and liabilities held in foreign currencies are translated in to sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

l) **Going Concern**

The directors are of the opinion that the company will continue to trade for the foreseeable future.

2. PAYMENTS UNDER GIFT AID

Gift Aided payments were made to The Moredun Foundation amounting to £53,431 (2011: £58,822) and to Moredun Research Institute amounting to £161,965 (2011: £126,539).

3. INTEREST RECEIVABLE AND SIMILAR INCOME

Amounts receivable in respect of interest and similar income may be analysed as follows:

	2012 £	2011 £
Amounts receivable from group undertakings	-	-
Amounts receivable from others	537	569
	537	569

4. INTEREST PAYABLE AND SIMILAR CHARGES

Amounts payable in respect of interest and similar charges may be analysed as follows:

	2012 £	2011 £
Amounts payable to group undertakings	-	-
Amounts payable to others	-	1,424
	-	1,424

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2012

5. OPERATING PROFIT/(LOSS)

	2012 £	2011 £
The operating profit /(loss) is stated after charging the following:		
Directors' emoluments (excluding pension contributions)	15,500	70,548
Payments to director's personal pension plan	-	5,505
Depreciation (note 6)	28,865	30,465
Operating lease rentals - property	91,713	91,713
External auditors' remuneration - audit fee	3,040	2,950
External auditors' remuneration - non-audit work	1,755	1,000

6. FIXED ASSETS - TANGIBLE

The movement on these assets during the year was as follows:

	Plant & Machinery etc. £	Total £
Cost		
At 1 April 2011	351,881	351,881
Additions	33,846	33,846
Disposals	(4,998)	(4,998)
At 31 March 2012	380,729	380,729
Accumulated Depreciation		
At 1 April 2011	253,856	253,856
Charge for the year	28,865	28,865
Eliminated on disposals	(4,950)	(4,950)
At 31 March 2012	277,771	277,771
Net Book Values		
At 31 March 2012	102,958	102,958
At 31 March 2011	98,025	98,025

Included in the net book value of plant and machinery etc is a sum of £Nil (2011: £14,447) relating to assets held under finance lease and hire purchase agreements. The depreciation charge for the year relating to these assets was £Nil (2011: £4,082).

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2012

7. STOCK

	2012	2011
	£	£
Consumables	30,421	36,244
	30,421	36,244

8. DEBTORS

Debtors comprised:	2012	2011
	£	£
Amounts due from group undertakings	18,260	13,024
Trade debtors	353,082	217,572
Other debtors	3,948	25
Corporation Tax Debtor	44,516	14,099
Prepayments and accrued income	168,820	26,206
	588,626	270,926

9. CREDITORS

Amounts falling due within one year:	2012	2011
	£	£
Amounts due to group undertakings	395,908	192,351
Trade creditors	75,776	40,761
Accruals and deferred income	109,740	116,467
Corporation Tax	10,690	-
Other taxes and social security	49,316	48,792
Other creditors	5,269	19,647
	646,699	418,018

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2012

10. SHARE CAPITAL

Called up share capital comprises allotted, called up and fully paid 100 ordinary shares of £1 each.

The authorised share capital of the company throughout the year was £50,000 divided into 50,000 ordinary shares of £1 each.

11. RESERVES

The movement on reserves during the year was as follows:

	Profit & Loss Account £
At 1 April 2011	28,998
Profit for the financial year	117,462
At 31 March 2012	146,460

12. PENSION COSTS

Contributions made by the company to the employees' Personal Pension Plans during the year amounted to £38,248 (2011: £43,925). Company contributions outstanding at the year end amounted to £3,269 (2011: £2,859). No director received pension benefits during the year (2011: One).

13. COMMITMENTS

Lease Commitments

The company has annual operating lease commitments to pay in respect of:

	2012 £	2011 £
Property lease:		
Expiring after more than 5 years	91,713	91,713

MOREDUN SCIENTIFIC LIMITED (Registered Number: SC107439)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 MARCH 2012

14. RELATED PARTIES

Moredun Scientific Limited is a wholly owned subsidiary of, and is ultimately controlled by, The Moredun Foundation, a company limited by guarantee, registered in Scotland No: 151865. The annual report of the Moredun Foundation is available for inspection at Companies House. Exemption has therefore been taken under FRS 8, from disclosing group related party transactions.

The results of Moredun Scientific Limited are included in the consolidated financial statements of The Moredun Foundation, which are available for inspection at Companies House.

15. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The (refund)/charge for taxation comprises:

	2012 £	2011 £
UK Corporation Tax:		
Current year	10,690	-
Over provision in previous year	(44,516)	(12,678)
	(33,826)	(12,678)

Factors that may affect future period's tax charges:

The company is a wholly owned subsidiary of The Moredun Foundation, a charity. As such, when the company reaches the level of reserves as set out in the reserves policy agreed by the board of directors, any profits generated in excess of the policy, will be transferred by way of gift aid to the charity. This will have the effect of reducing the tax charge in any future period that a gift aid payment is made.

16. NON-AUDIT SERVICES

In common with many other companies of a similar size, the company's auditors assist with the preparation and submission of returns to the tax authorities as well as the provision of VAT advice.