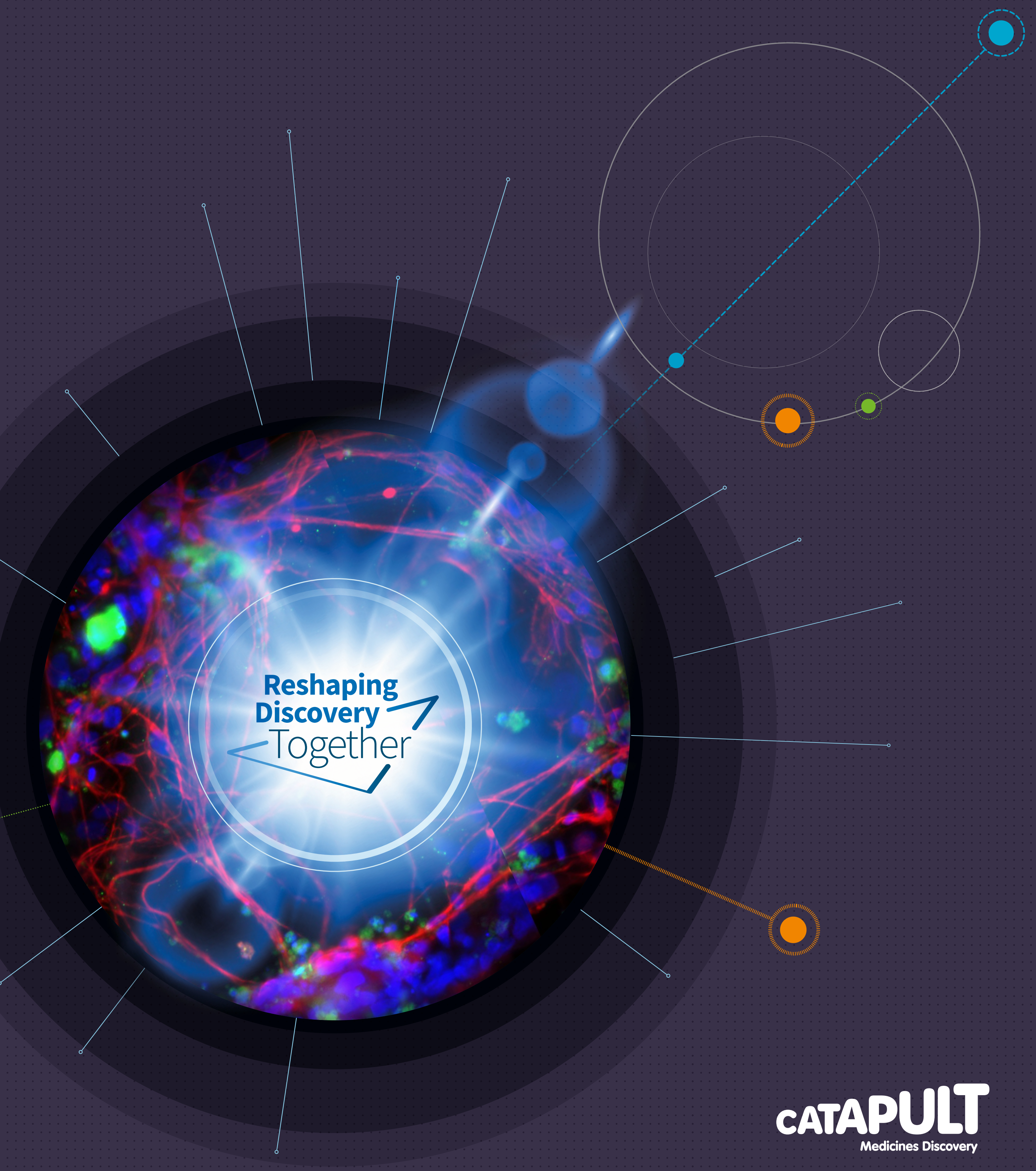
Medicines Discovery Catapult 2021/22 Annual Report and Consolidated Financial Statements For the Year Ended 31 March 2022



CATAPULT
Medicines Discovery

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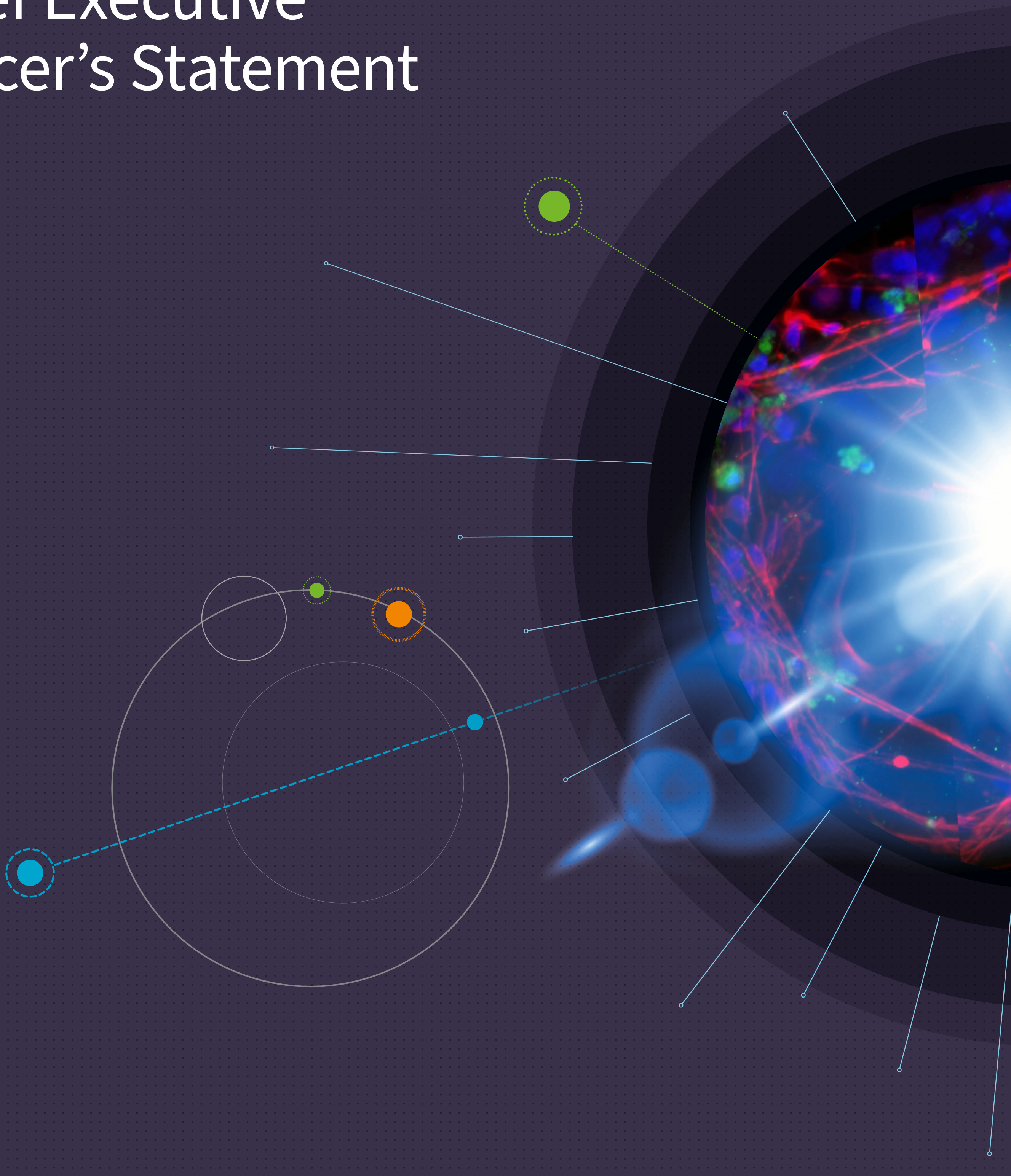
Company Information

Directors	R J Brown (Chairman) C J Dix C M Longson A F Markham C R Molloy C Reilly L Robb G J Clarke A J Macdonald S J Wallcraft
Registered office	Block 35G Mereside Alderley Park Alderley Edge Macclesfield Cheshire SK10 4ZF
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham GL51 0UX

Section 1
Chief Executive Officer's Statement



Chief Executive Officer's Statement

Chief Executive Officer's Year In Review

Professor Chris Molloy

The past year has shown the impact Medicines Discovery Catapult (MDC) makes to the drug discovery community and to the nation, within a complex and challenging environment, as the UK's response to COVID-19 evolved.

Despite the challenges, our expert teams of drug discovery experts and those working on the COVID-19 testing frontline at our Alderley Park Lighthouse Laboratory (APLL) showed great resilience and delivery. Through their commitment and dedication, MDC Group delivered a surplus in the year, which will be re-invested to extend our impact, reshape drug discovery for patient benefit and ensure the UK is positioned as a global leader at the forefront of drug discovery innovation.

As the UK's healthcare needs evolved, our government COVID-19 testing contract came to an end on 31 March 2022. In July 2021, MDC announced its intention to seek a long-term, private sector buyer for the APLL, to secure its sustainable future. The aim was to retain expertise and infrastructure in the region, to support the evolution of the UK's diagnostics sector. A structured process, governed by the MDC Board and legal advisors, explored the possibility of securing a suitable long-term private buyer. Despite concerted attempts, it was not possible to secure a viable economic outcome that met the criteria set at the outset of the process, with respect to securing future financial sustainability. The APLL (trading as Medicines Discovery Catapult Services Limited) is therefore being demobilised, and as a result will be liquidated.

From inception, the APLL team performed over 23 million tests and trained over 1,000 early career scientists, who are now equipped for future employment in the high-growth, high-skill biotech, and diagnostics industry. These skills have enabled a number of our team to secure diverse roles, across a range of organisations; from Universities, NHS, pharma, biotech, not-for-profit companies, CROs, private sector: property services, manufacturing, procurement and sustainability, to name a few. The roles secured include careers in research, drug development, quality, biobanking, diagnostics, project management, application support, clinical trials, HR, communications, customer services and further education.

An outcome from the pandemic, as a force for good, would be to unite with the same purpose and passion to tackle other global health issues, for patient benefit, such as improving the UK's cancer survival rates through enhanced diagnostics and treatments, and tackling the global hidden pandemic that antimicrobial resistance presents, to name just two examples. Our work and the impact we can make, as a national collective, is only just beginning.

I will forever be humbled by, and grateful to, all Lighthouse colleagues and volunteers at APLL and nationwide, for their dedication in delivering a world-class facility that has been critical to the UK's response to the pandemic.

MDC exists to enable the UK life-sciences community to reshape drug discovery, for patient benefit. We do this by transforming great UK science into better treatments through partnership. We support the sector by identifying the barriers facing UK life-science businesses and developing strategic interventions to address them - transforming the UK's capability for innovation - and private sector investment - in drug discovery. In the past year, our colleagues have continued to extend our reach across the UK life-sciences community. We have measurably accelerated growth and funding to companies across all regions of the UK by driving adoption of innovation, providing access to our state-of-the art Research and Development expertise, technology and know-how, and leading a range of national sector-wide initiatives, through partnership.

In July 2021, the UK Government released the UK Life Sciences Vision. The document provides a ten-year strategy to nurture a thriving life sciences sector, tackling the major causes of death and disease. The UK's life sciences industry - world-leading in testing and vaccines during the pandemic - is now well set to remain at the forefront of solving some of the biggest global healthcare problems. The Life Sciences sector is among the most valuable and strategically important to the UK economy, and critical to the country's health, wealth, and resilience. MDC has a key part to play in delivering this Vision through its established and recognised R&D activities. In addition, the sector investments it can now make will play a crucial part in supporting our efforts to transform this Vision into a reality.

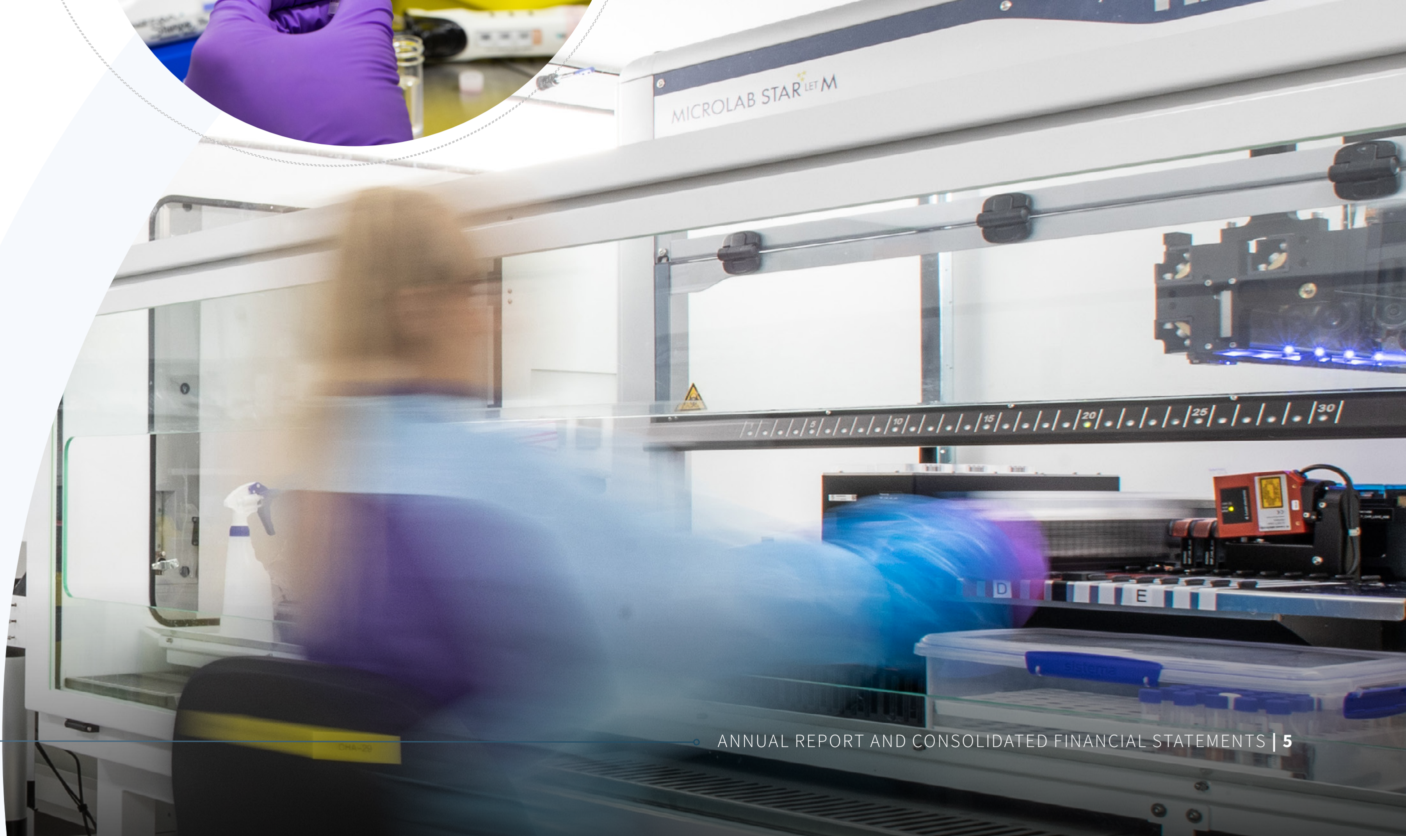
MDC has supported a number of key areas since its inception including advanced technologies such as Positron Emission Tomography (PET) imaging, and a focus on a number of key disease groups, including Cystic Fibrosis, Psychiatry and infectious diseases. I am particularly proud of the expansion of our imaging capability in 2021, with the addition of advanced radiochemistry and cyclotron facilities at the Wolfson Molecular Imaging Centre. This partnership with the University of Manchester revitalised a facility that had been closed since 2020. It can now, through MDC, provide drug discovery biotechs and academic innovators with vital, hard-to-make radiochemicals - increasing the UK's potential to discover new and better therapies for patients, faster.

Building on our strong foundations and ambition, we have strengthened our Executive team with the appointment of a Chief People Officer, General Counsel, Chief Finance Officer and Chief Strategic Impact Officer, with a further two appointments to follow in FY2022/23: Chief Commercial Officer and Chief Operating Officer.

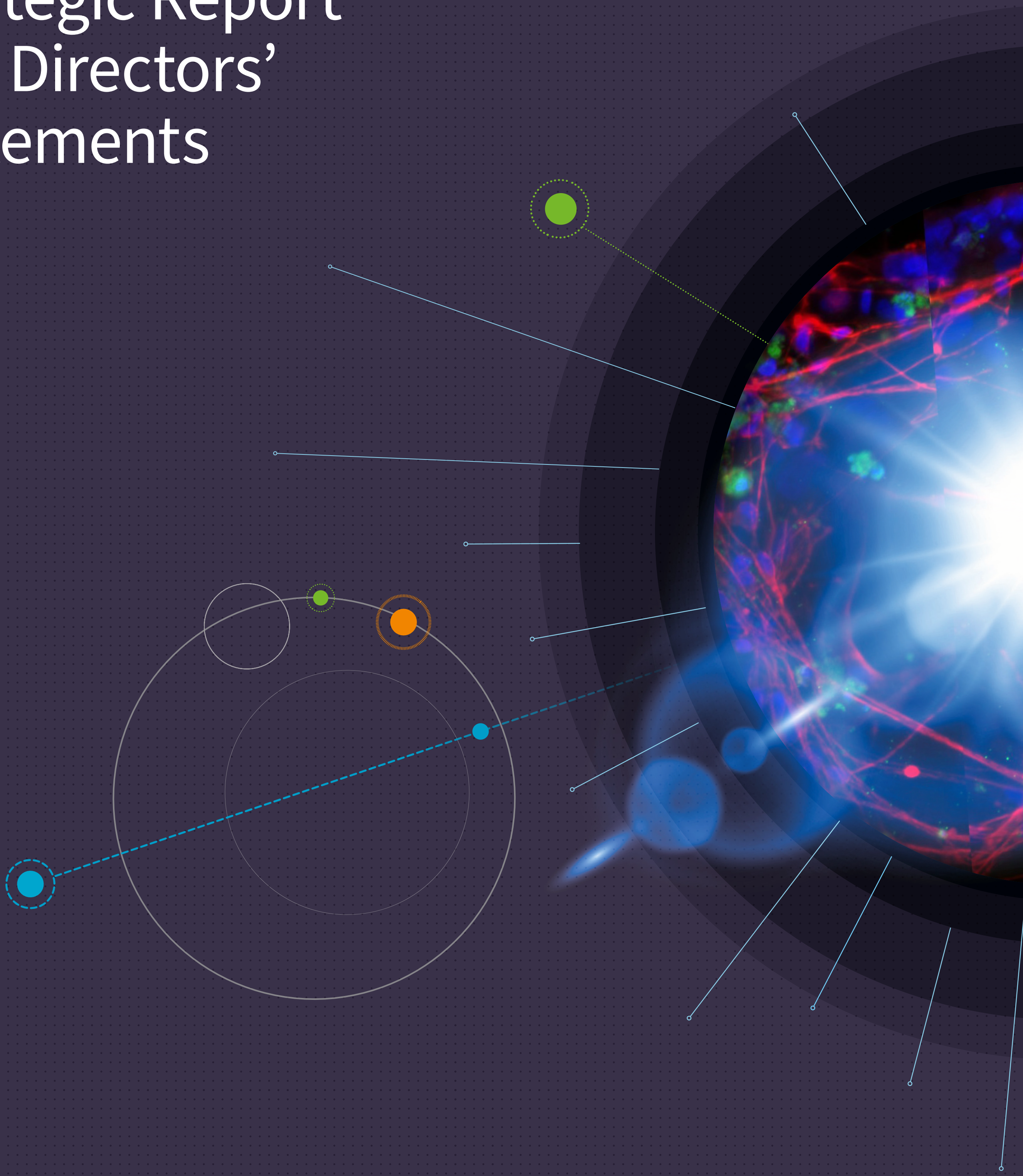
On a personal note, I am committed to continue to build and lead MDC, with the support of the Board and Executive team, driving the development and delivery of a plan that builds on our successes to date, supports the UK's Life Sciences Sector Vision for excellence in R&D and creating a nurturing business environment for MDC, UK companies and investors.

MDC's bright and ambitious future is one of growth, development, and expanded impact. Across every part of our organisation, working together as 'One MDC', we will continue to drive great science through effective delivery and collaboration, testament to our highly skilled and dedicated workforce. I look forward to building on our success, achieved over the first five years, with EXCELLENCE, INTEGRITY, INNOVATION and COMMUNITY - our MDC values, to achieve our vision and purpose: reshaping drug discovery for patient benefit.

Professor Chris Molloy,
Chief Executive Officer,
Medicines Discovery Catapult



Section 2
Strategic Report and Directors' Statements



Strategic Report

For the Year Ended 31 March 2022

Introduction

Medicines Discovery Catapult (MDC) is enabling the UK life-sciences community to reshape drug discovery, for patient benefit, by transforming great UK science into better treatments, through partnership. To achieve this ambitious mission, MDC requires a deep understanding of the developments and challenges being faced by the UK life-sciences sector. We share those learnings with the community, to drive sector impact and Catapult success.

Medicines reaching clinical trials, company growth, private sector investment into R&D and job creation are fundamental to achieve sector impact. The outcome of MDC's work is to drive adoption of innovation and focus drug discovery in areas of unmet patient need. Our proven technologies enable better decision making on when to progress assets into clinical trials, and their widespread use is key to enable innovators to secure follow-on investment.

Since inception, MDC has made a significant impact, helping to transform the UK's capability for innovation in drug discovery and aligned with its Vision of reshaping drug discovery for patient benefit. We have delivered **238 collaborative R&D projects** across our portfolio, partnered with **196 organisations** including SMEs (54%), Academia and Research Institutes (28%), large companies (Pharma and tech) (9%), Medical Research Charities (6%), and Investors (3%). Companies who have partnered with us have benefited from 3rd party grant income of **£20.8m** and used our outputs to raise **£400m** in total private investment. We are proud to be progressing the field, supporting companies with their clinical development strategies for novel medicines and the development of new technologies on the market.

MDC continues to harness its expertise to produce an ongoing range of effective thought leadership initiatives to provide critical commentary and guidance for the sector. This not only produces innovative ideas and addresses the big questions in the sector, it also places us front and centre, as a key stakeholder to support the government's Life Sciences Vision, at the heart of medicines discovery in the UK. Since 2018, MDC has brought together key organisations and industry leaders to produce a host of insightful thought leadership initiatives that provide expert commentary and deliver constructive recommendations for the UK life sciences sector. MDC has developed an extensive back catalogue of thought leader reports.

Principal Activities

MDC's principal activity is to transform the UK's capability for innovation in drug discovery, supporting the drug discovery community, including large, medium and small biotech companies, operating in the life sciences with their innovative research and development. MDC does this by identifying the barriers facing UK life-science businesses and developing strategic interventions to address these challenges. Until 31 March 2022, MDC also operated the Alderley Park Lighthouse Laboratory (APLL) providing high-capacity diagnostic testing services to the UK government as part of the nation's response to the COVID-19 pandemic.

MDC is a company limited by guarantee, established in December 2015, with a grant from Innovate UK.

Business Review

The APLL was built in March 2020 by MDC, as part of the national Lighthouse Laboratory network established by the NHS and Department of Health & Social Care. This became the UK's biggest diagnostic laboratory network project. In 2021/22, through a public competitive tender, APLL secured a further two agreements with UK Health Security Agency (UK HSA) for testing, and winter surge testing in January - March 2022, as the nation's COVID-19 needs continued to evolve for the period.

In July 2021, MDC announced its intention to seek a long-term, private sector buyer for the APLL, to secure its sustainable future. The aim was to retain expertise and infrastructure in the region, to support the evolution of the UK's diagnostics sector. A structured process, governed by the MDC Board and legal advisors, explored the possibility of securing a suitable long-term private buyer. Despite concerted attempts, it was not possible to secure a viable economic outcome that met the criteria set at the outset of the process, with respect to securing financial sustainability. That meant that in line with UK HSA confirming the end of the Government COVID-19 PCR testing service, as the nation's healthcare needs evolved, the APLL began demobilisation with effect from 31 March 2022, and will be liquidated.

The benefits created by the Lighthouse network, demonstrating science in quality control, data analytics, new test development, materials application and manufacturing practice will flow into our own healthcare system for decades to come, and allow the UK to remain on the world stage as a next generation diagnostics innovator. The establishment of the Lighthouse Laboratory network, and outputs of the APLL, demonstrates the collective power of uniting industry, academia, and charities to tackle a national problem, with a common goal and sense of purpose.

MDC is now focusing its resources on its core purpose of reshaping drug R&D by transforming great UK science into better treatments, through partnership. This will include the industrialisation of therapeutics and technologies that will help discover new medicines in the UK, as well as sector collaborations, which will serve the UK's Life Science strategy.

Building on APLL's contribution to the COVID-19 response to support the nation, MDC is committed to addressing the challenges infectious disease presents beyond the pandemic. The rising deaths attributable to antimicrobial resistance, in addition to the recent pandemic, have brought renewed attention to the threat posed by infectious diseases, particularly multi-drug resistant microorganisms and the urgent need for new medicines, vaccines and diagnostics. However, the current global pipeline of new innovations is insufficient. The early pipeline in infectious disease is largely in the hands of SMEs and they need the support of multiple cross-sector players to provide technical and financial support. MDC's focus in this area has evolved along with the changing landscape. The infrastructure project initially funded by the regional development award to construct a strategic scientific facility was ended. MDC is focused on collaboration with relevant organisations across the UK; providing insight into the sector challenges, developing partnerships and exploring further opportunities to support innovators to overcome the barriers to success in this much needed field.

During this financial year, MDC increased its project portfolio by 8% and ended the year with in excess of 90 projects, 66 of which were initiated in the year.

In the context of the government's levelling up agenda, the UK's life sciences sector will play an increasingly important role in driving economic growth whilst also helping to reduce health inequalities and improving outcomes for patients in every corner of the UK. MDC plays a pivotal role in driving the levelling up agenda for the UK life sciences industry from its base in the North West. The revitalisation of radiochemistry and cyclotron facilities in the region, along with MDC's support for the Cheshire and Warrington LEP STEM initiatives, and partnership on a successful Oncology accelerator, are just some examples of the work MDC is doing to support the UK's levelling up agenda.

Strategy Development - Continuing Operations

MDC reviews its five-year strategy on an annual basis. This plan sets out how MDC aims to provide impact; grow and use its revenue streams and encourage more investment in R&D in the UK.

This forms the basis for the Output and Outcomes planning and logic model which is approved by the Board and accepted by Innovate UK for the purposes of the grant funding agreement. This grant agreement was signed in October 2018 and secured £55m in core funding for the period April 2018-March 2023, subject to achieving agreed annual milestones and key performance indicators.

Building on MDC's strong foundations and to deliver on its ambitious goals, MDC has strengthened its Executive team over the course of the year, with the appointment of a Chief People Officer, General Counsel, Chief Finance Officer and Chief Strategic Impact Officer, with a further two appointments to follow in FY2022/23: Chief Commercial Officer and Chief Operating Officer.

S172 Statement - Directors' Statement of Compliance with Duty to Promote the Success of the Group

The Directors must act in accordance with a set of general duties which are detailed in section 172 of the Companies Act 2006. These duties include a duty by the Directors to act in a way they consider, in good faith, would be most likely to promote the success of the group for the benefit of the stakeholders as a whole and, in doing so, have had regard to and recognise the importance of considering all stakeholders and other matters as set out in section 172 of the act in its decision making.

The Directors ensure that decisions made pay due account to the short-, medium- and long-term implications on the long-term sustainability of the entity. The Directors are committed to the long-term success of MDC to ensure the continued support of drug discovery in the UK. The Directors are mindful of the changing external landscape and needs of our different stakeholder and consider these matters to ensure long-term implications are understood. To fulfil this commitment the Board regularly consider scenarios and plans showing the long-term impact of MDC's strategy and ensure continual assessment of our business against plans and key metrics.

Stakeholder Engagement

A key strength of the UK life sciences sector is the richness and diversity of the sector, across industry, clinical trials, charity, regulatory, academia and investors. MDC recognises that for innovators to benefit from this richness, the complexity of the sector must be overcome. MDC engages regularly with its external and internal stakeholders; it is central to MDC's ability to deliver its purpose of transforming great UK science into better treatments through partnership.

MDC has developed an approach working across the entire sector, using extensive knowledge of the R&D landscape, creating valuable collaborations, and catalysing new connections across the ecosystem. A diverse and extensive engagement strategy is in place, encompassing; media outreach, thought leader reports, hosting round table events and attendance at key scientific events.

It continues to publish primary research on markets and areas of scientific specialty. It reflects the needs of UK biotech at governmental and regional level and has developed an authoritative influential voice. In the last year, MDC colleagues have been speakers or Chairs at 70 events, spoke or presented at over 100 key events, alongside being recognised by their industry peers through various Awards. In March 2021, Professor Chris Molloy was invited to present at the Royal Society conference on the 'Science of COVID-19' as part of Society's respected 'Transforming our future series'. Professor Molloy spoke on the 'Mass Testing Capacity: People, Production and Productivity' highlighting the remarkable achievements of APLL and the Lighthouse Laboratories Network in mass PCR testing and reflecting on future priorities.

Government Stakeholders

These stakeholders, primarily Innovate UK, are key to the future success of the business, providing the financial framework that aids business growth and stability. The Directors ensure that the obligations under the Grant Funding Agreement are adhered to and that controls are in place to ensure the accuracy of those returns. In addition, the Directors regularly attend Innovate UK and other Government meetings to share updates.

Customers

MDC works with a range of customers including grant providers and commercial partners. A good working relationship is maintained through regular meetings and project reporting to our counterparties.

Suppliers

MDC operates with appropriate suppliers for goods and services and suppliers are paid within the agreed payment terms.

Employee Engagement

Our internal communication and employee engagement strategies are intrinsically linked. Through our strategy, our goal is to empower our employees to deliver upon three objectives; 'Say' - to talk positively about MDC internally and externally, 'Stay' – to feel part of, and be motivated by the MDC story, and finally to 'Strive' – to want to contribute to help MDC succeed in its goals.

To achieve this, MDC creates meaningful connections with our business purpose, strategy, and values - generating pride in the work we do through the impact stories we share via our communications channels.

MDC is committed to equality of opportunity and has published its first Gender Pay Gap report. It has recently formalised its long-held commitment to Equality Diversity and Inclusion (ED&I) through the creation of a Catapult ED&I charter. The charter describes our commitment to achieve our Vision – 'Reshaping drug discovery for patient benefit'. MDC will ensure that ED&I is embedded in our culture and throughout our policies and procedures.

Employment of disabled persons: Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as is possible, be identical to that of other employees.

Through our communications we provide focus to our people, our thought leadership, our sector challenges, our progress, and our impact. Trust through leadership visibility and consistency of message is a central to the approach, as is providing two-way opportunities for employees to feel that their opinion is heard and valued through each channel. Regular formal communications are in place including:

- Monthly All Hands meetings led by the CEO and Executive team
- Newsletters for all employees to communicate key messages and news

Employee network groups have been established, which have so far helped explore, critique, and develop; future ways of working, in addition to establishing an evolution of our corporate Vision, Purpose, Values and Behaviours. To measure our progress, tools to track communications engagement quantitatively and qualitatively have been established.

Impact on the Environment

As a growing organisation, MDC acknowledges the potential impact that our activities can have on the environment. MDC is committed to measuring, assessing, and exploring ways to reduce our footprint through the development of an Environmental Policy. In the last year the efficiency and management of our spaces have been improved, through the modernisation of the air handling, sub-metering and introduction of a Combined Heat and Power Plant to provide power and heat.

Financial Review

Group surplus in the year was £34,392k (2021 £8,240k) driven by strong performance by APLL in its final year of trading. As an independent, not-for-profit organisation, all the profits generated through APLL will be reinvested into MDC's mission to support the UK drug discovery sector, driving innovation in every region.

The cash position is a key measure of financial sustainability and is closely monitored and managed as part of MDC's financial performance and planning process. The closing cash position in the Group provides a sound financial position on which MDC will continue to build into the future expanding our support for UK drug discovery.

Operating Performance

Operating surplus for the year was £42,850k (2021 £10,248k) driven by the performance of APLL. In the past year the UK's approach to COVID-19 has changed resulting in our UK government contract for COVID-19 testing coming to an end on 31 March 2022. As a result it is our intention to liquidate APLL and the funds realised from the liquidation of APLL will be used to ensure the financial sustainability of MDC and to extend our impact, reshape drug discovery for patient benefit and ensure the UK is positioned as a global leader at the forefront of drug discovery innovation. Income from our continuing operations have grown year on year further demonstrating the strength of the MDC offering. Costs in the period also grew in line with income to ensure we continue to attract scientific talent whilst also moving to bolster the Executive team with the introduction of a Chief People Officer, Chief Financial Officer, Chief Strategic Impact Officer and a General Counsel, with a further two appointments to follow in FY2022/23: Chief Commercial Officer and Chief Operating Officer.

MDC also invested in its core capabilities most notably taking on a lease from the University of Manchester in their Wolfson Molecular Imaging Centre to reinvigorate radiochemistry and cyclotron activity for both the region and the nation.

Included in the financial position of the Group is a £4,321k accrual for the demobilisation of APLL.

Key Performance Indicators

Under the Grant Funding Agreement, alongside key financial metrics MDC is subject to adherence to key performance indicators (KPIs) focusing on our impact to drug discovery in the UK. The KPIs include metrics covering our reach across the sector, the amount of investment secured by our partner companies due to the support enabled by MDC and commercial income earned by MDC. For the year ended 31 March 2022, MDC met or exceeded all KPIs.

MDC's financial position is strong with a net assets position of £42,293k (2021 £7,901k). The majority of this net asset position is based on an operational cash position of £31,008k (2021 £40,263k). Group income in the year increased by £68,544k to £125,697k (2021 £57,152k). Income from continuing operations increased by 33.2% to £17,846k (2021 £13,400k).

Principal Risks and Uncertainties

MDC manages a portfolio of risks that represent both internal and external challenges to its activities. Risks are proactively identified, assessed and regularly reported to the executive management team, the Audit and Risk Management Committee and the Board with actions taken to mitigate the risk where practicable. The key risks going forward are:

COVID-19 impact on the continuing operations: Whilst COVID-19 no longer presents the same challenge as the past two years, MDC is still conscious a staffing risk remains, should infection rates increase. To mitigate this risk MDC has moved to a fully hybrid working pattern and encourages colleagues to avoid the office environment when unwell, irrespective of the cause.

Employee attrition and loss of knowledge: This is a key risk for us as an organisation as our people are fundamental to the success of the organisation. In order to mitigate this, MDC continues to review its employee offering to create an environment where colleagues want to stay and thrive.

Long-term funding Innovate UK: A reduction in government funding or a change in government policy remains an ongoing risk to MDC's core funding. This is mitigated by MDC continuing to deliver against the objectives for use of its core funding and enhancing its national reputation. National reports from the Department of Business, Energy and Industrial Strategy indicate that Catapults are a long-term part of the UK's innovation ecosystem and the government has stated clearly that support for the Life Sciences industry remains a national priority.

Reduction in collaborative R&D grant and commercial income: MDC is committed to growing grant and commercial income for our collaborative R&D activities to continue to progress drug discovery in the UK. A fall off in grant and commercial income sources would reduce our ability to be able to fulfil our strategy. Mitigation is through the holding of suitable levels of reserves to ensure we can seek alternative income sources.

Global supply chain and inflation: One of the key issues facing the global economy is the ongoing inflation resulting from a combination of the impact of COVID-19 on the global supply chain, the ongoing war in the Ukraine and for the UK the impact of Brexit. This impacts MDC in two ways; the current unprecedented economic pressures and cost of living implications, directly impacts our people - fuel and food prices have escalated, and other inflationary pressures continue to rise. MDC seeks to support our colleagues manage this challenging landscape. Secondly, the increased cost of our organisational utilities and consumables continues to rise exponentially. Timely access to crucial equipment is also a key risk to ensure that there is no detrimental impact on our ability to provide our partners with the world class core capabilities they require to advance drug discovery. To mitigate this we are continually reviewing our financial outlook and are holding significant reserves to support us through this time. We have a robust capital planning process that ensures we are predicting needs well in advance to ensure we build in mitigation for longer delivery times.

Meeting all KPI targets: MDC has several KPI targets in its contracts, including the Grant Funding Agreement and the COVID-19 Testing Services Agreement which if not met could have financial and reputational consequences or lead to a change in contract terms. This risk is mitigated by careful monitoring and implementation of action plans to address any potential shortfalls. MDC met or exceeded all its KPI targets in the financial year ended 31 March 2021.

Approved by the Board on ....

and signed on its behalf by:

....

R J Brown, Chairman

Directors' Report

For the Year Ended 31 March 2022

Directors of the Company

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

R J Brown	C J Dix
C M Longson	A F Markham
C R Molloy	C Reilly
L Robb	GJ Clarke
A J Macdonald	S J Wallcraft

Matters Covered in the Strategic Report

Information on the engagement with contractors, suppliers, customers and others is included in the Strategic Report in the s172(1) statement. The Group's business environment and risks, together with details of monitoring undertaken by the Directors and future developments are dealt with elsewhere in the Strategic Report.

Dividends

MDC is designed to re-invest any profit within the Company to ensure maximum resources are utilised to support medicine research and innovation. As governed by the Memorandum of Association, no portion of the income of the Company shall be paid or transferred to any Members of the Company except where it is payment in good faith for remuneration for services rendered or repayment of out-of-pocket expenses to Directors.

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as afar as possible, be identical to that of other employees.

Going Concern

The forecasts indicate that the Company will have sufficient cash reserves for all its future anticipated activities. On the basis of this information, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Disclosure of Information to the Auditor

Each Director has taken the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of Auditors

Hazlewoods LLP have expressed their willingness to continue in office.

Approved by the Board on ....

and signed on its behalf by:

....

R J Brown, Chairman

Statement of Directors' Responsibilities

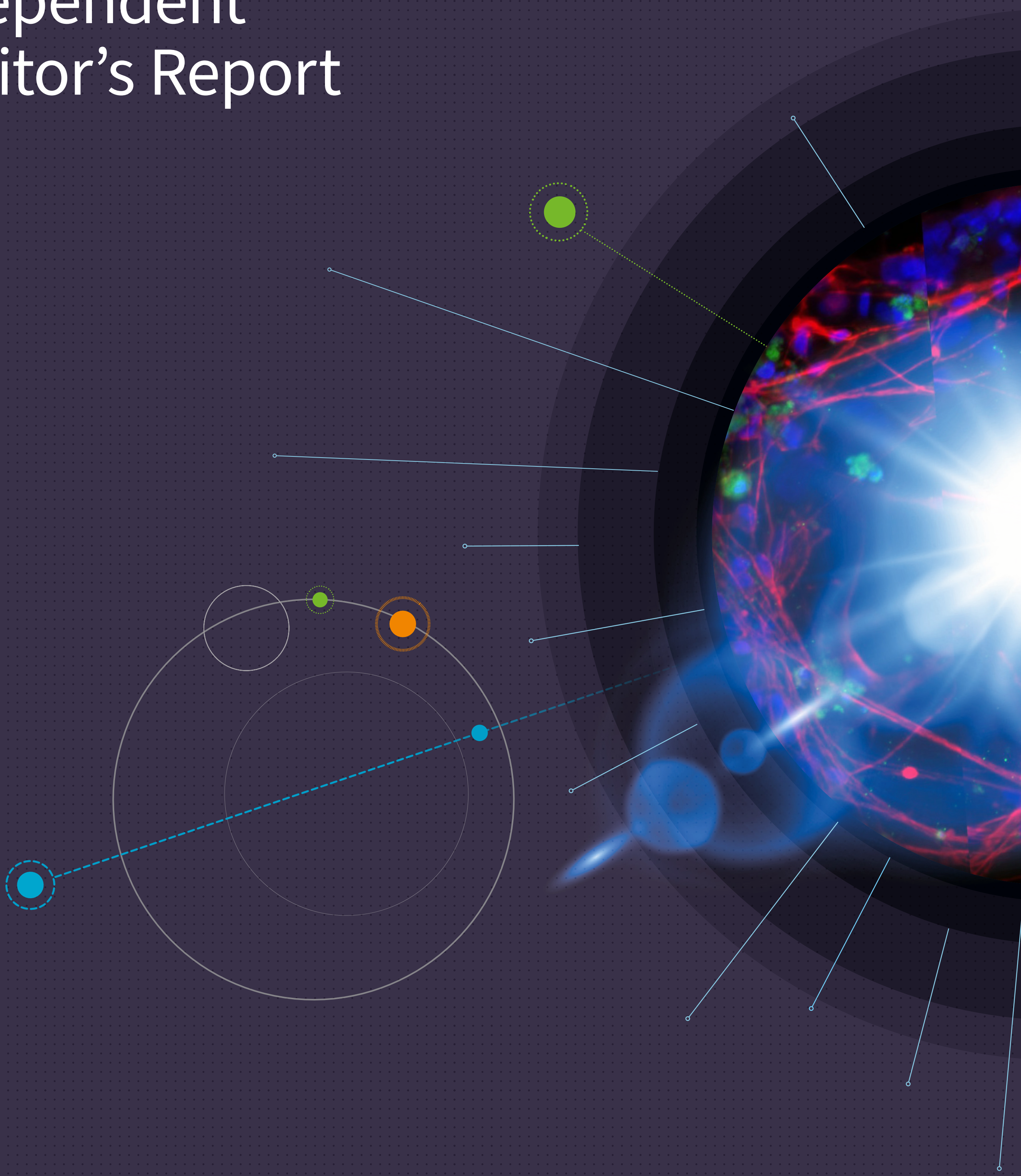
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to 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 group and company and of the surplus of deficit of the group for that period. In preparing these financial statements, the Directors are required to:

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

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

Section 3
Independent Auditor's Report



Independent Auditor's Report to the Members of Medicines Discovery Catapult Limited

Opinion

We have audited the financial statements of Medicines Discovery Catapult Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In Our Opinion the Financial Statements:

- Give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2022 and of the group's 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

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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

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 this regard.

Opinion on Other Matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements

Matters on which we are Required to Report by Exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company 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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, 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 group's and the parent 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 group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and parent company financial statements or that had a fundamental effect on the operations of the group and parent company. We determined that the most significant laws and regulations included United Kingdom Generally Accepted Accounting Practice, UK Companies Act 2006 and taxation laws
- We understood how the group and parent company is complying with those legal and regulatory frameworks by making enquiries of the management and those responsible for legal and compliance procedures
- We assessed the susceptibility of the group’s and the parent company’s financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud
    - Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
    - Challenging assumptions and judgements made by management in its significant accounting estimates; and
    - Identifying and testing journal entries, in particular any journal entries with unusual characteristics

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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.

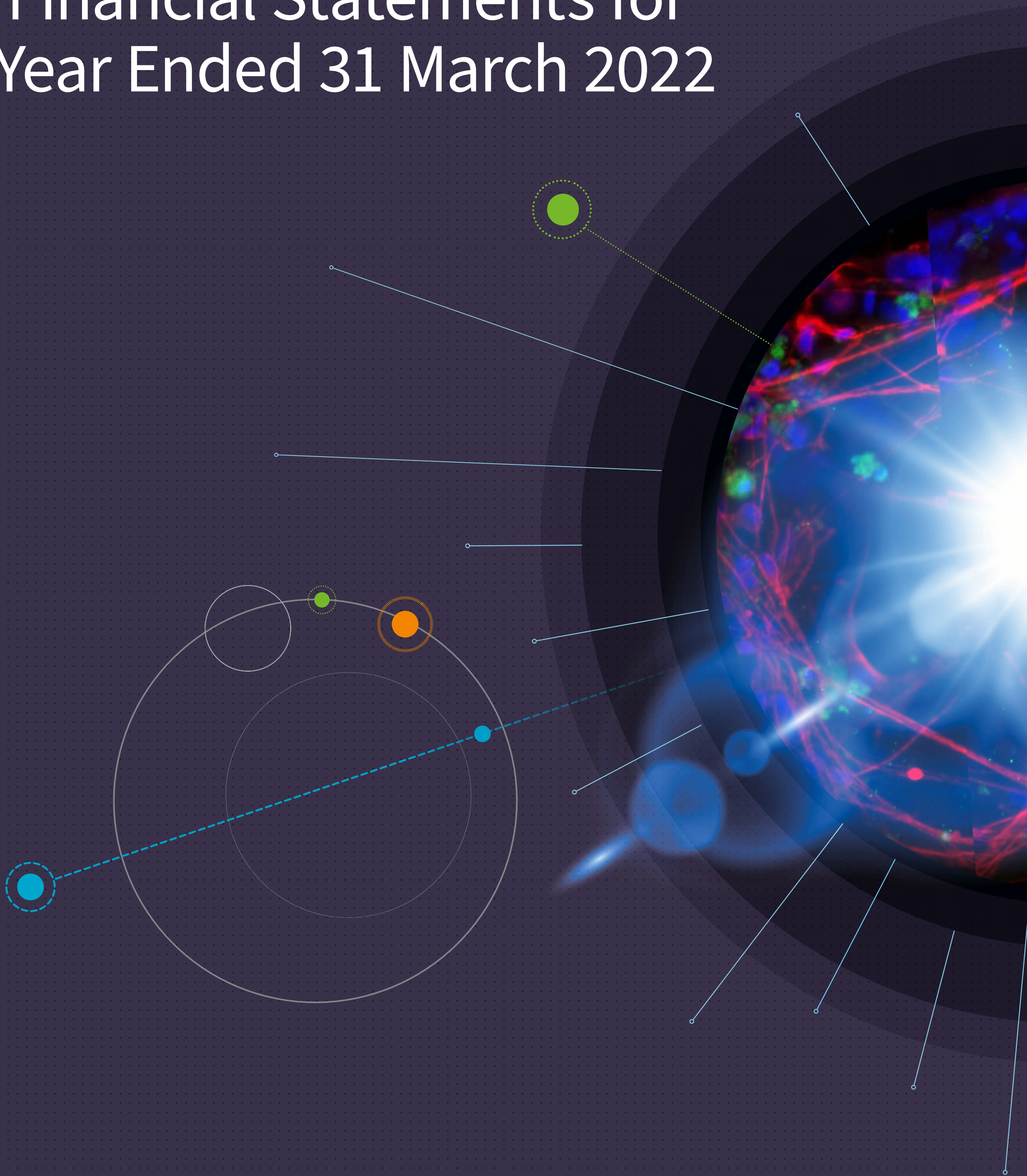
Paul Fussell
(Senior Statutory Auditor) ....

For and on behalf of Hazlewoods LLP,
Statutory Auditor

Staverton Court, Staverton
Cheltenham GL51 0UX

Date: ....

Section 4
The Financial Statements for the Year Ended 31 March 2022



Consolidated Profit and Loss Account

For the Year Ended 31 March 2022

	Note	Continuing Operations 2022	Discontinued Operations 2022	Total 2022	Continuing Operations 2021	Discontinued Operations 2021	Total 2021
		£	£	£	£	£	£
Turnover	3	17,846,307	107,850,622	125,696,929	13,400,019	43,752,430	57,152,449
Cost of sales		(5,393,943)	(31,307,845)	(36,701,788)	(3,230,839)	(3,453,538)	(6,684,377)
Gross surplus		**12,452,364**	**76,542,777**	**88,995,141**	**10,169,180**	**40,298,892**	**50,468,072**
Administrative expenses		(13,006,136)	(33,627,871)	(46,634,007)	(10,390,261)	(29,968,631)	(40,358,892)
Other operating income	4	384,449	104,900	489,349	138,961	-	138,961
Operating (deficit)/ surplus	5	**(169,323)**	**43,019,806**	**42,850,483**	**(82,120)**	**10,330,261**	**10,248,141**
Interest payable and similar expenses		(877)	(35,283)	(36,160)	-	-	-
(Deficit)/surplus before tax		**(170,200)**	**42,984,523**	**42,814,323**	**(82,120)**	**10,330,261**	**10,248,141**
Tax on profit	10	(176,501)	(8,246,253)	(8,422,754)	(27,701)	(1,980,668)	(2,008,369)
(Deficit)/surplus for the year		**(346,701)**	**34,738,270**	**34,391,569**	**(109,821)**	**8,349,593**	**8,239,772**

The group has no other comprehensive income for the year.

The notes on pages **25** to **39** form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2022 (Registration Number: 09928547)

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	7,362,348	6,823,614
Current assets			
Debtors	13	44,867,852	2,798,542
Cash at bank and in hand		31,007,982	40,262,830
		75,875,834	**43,061,372**
Creditors: Amounts falling due within one year	15	(39,721,758)	(41,218,079)
Net current assets		**36,154,076**	**1,843,293**
Total assets less current liabilities		43,516,424	8,666,907
Provisions for liabilities	16	(1,223,504)	(765,556)
Net assets		**42,292,920**	**7,901,351**
Capital and reserves			
Profit and loss account	18	42,292,920	7,901,351
Total equity		**42,292,920**	**7,901,351**

The notes on pages **25** to **39** form an integral part of these financial statements.

Approved by the Board on ....

and signed on its behalf by:

....

R J Brown, Chairman

Balance Sheet

As at 31 March 2022 (Registration Number: 09928547)

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	5,599,493	6,823,614
Investments	12	2	1
		5,599,495	**6,823,615**
Current assets			
Debtors	13	3,530,422	2,443,950
Cash at bank and in hand		9,441,730	4,536,287
		12,972,152	**6,980,237**
Creditors: Amounts falling due within one year	15	(10,497,304)	(13,740,085)
Net current assets/(liabilities)		**2,474,848**	**(6,759,848)**
Total assets less current liabilities		**8,074,343**	**63,767**
Provisions for liabilities	16	(992,223)	(765,556)
Net assets/(liabilities)		**7,082,120**	**(701,789)**
Capital and reserves			
Profit and loss account	18	7,082,120	(701,789)
Total equity/(deficit)		**7,082,120**	**(701,789)**

The company made a profit after tax for the financial year of £7,783,909 (2021 - loss of £222,483).

The notes on pages **25** to **39** form an integral part of these financial statements.

Approved by the Board on ....

and signed on its behalf by:

....

R J Brown, Chairman

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2022

		Profit and Loss Account	Total
		£	£
At 1 April 2021		7,901,351	7,901,351
Surplus for the year		34,391,569	34,391,569
At 31 March 2022		42,292,920	42,292,920

		Profit and Loss Account	Total
		£	£
At 1 April 2020		(338,421)	(338,421)
Surplus for the year		8,239,772	8,239,772
At 31 March 2021		7,901,351	7,901,351

The notes on pages **25** to **39** form an integral part of these financial statements.

Statement Of Changes In Equity

For the Year Ended 31 March 2022

		Profit and Loss Account	Total
		£	£
At 1 April 2021		(701,789)	(701,789)
Surplus for the year		7,783,909	7,783,909
At 31 March 2022		7,082,120	7,082,120

		Profit and Loss Account	Total
		£	£
At 1 April 2020		(479,306)	(479,306)
Surplus for the year		(222,483)	(222,483)
At 31 March 2021		(701,789)	(701,789)

The notes on pages **25** to **39** form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Surplus for the year		34,391,569	8,239,772
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	3,412,040	2,358,748
Impairment of fixed assets		1,395,070	-
Surplus on disposal of tangible assets		758,732	356
Finance costs	7	36,160	-
Tax expense		8,422,754	2,008,369
Foreign exchange losses		85	236
		48,416,410	**12,607,481**
Working capital adjustments			
Increase in debtors		(42,079,761)	(375,688)
(Decrease)/increase in creditors		(946,098)	26,612,106
Increase in provisions		226,667	319,764
Cash generated from operations		**5,617,218**	**39,163,663**
Income taxes paid		(8,732,745)	(47,742)
Net cash flow from operating activities		(3,115,527)	39,115,921
Cash flows from investing activities			
Acquisitions of tangible assets		(6,103,161)	(1,621,949)
Cash flows from financing activities			
Interest paid		(36,160)	-
Net (decrease)/increase in cash and cash equivalents		**(9,254,848)**	**37,493,972**
Cash and cash equivalents at 1 April	14	40,262,830	2,768,858
Cash and cash equivalents at 31 March	14	31,007,982	40,262,830

The notes on pages **25** to **39** form an integral part of these financial statements.

Notes To The Financial Statements

For the Year Ended 31 March 2022

1. General Information

The company is a company limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

The address of its registered office is:

Block 35G Mereside
Alderley Park
Alderley Edge
Macclesfield
Cheshire SK10 4ZF

2. Accounting Policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of Preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Summary of Disclosure Exemptions

Medicines Discovery Catapult Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemption has been taken in relation to the preparation of a statement of cash flows.

Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2022. No Profit and Loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going Concern

After reviewing the group's forecasts and projections, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future with the continued funding from Innovate UK. Innovate UK have provided a letter to support that the funding levels will remain consistent with historic funding levels for at least 12 months from the date of signing the accounts The group therefore continues to adopt the going concern basis in preparing its financial statements.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

No significant judgements have been made by management in preparing these financial statements.

Key Sources of Estimation Uncertainty Before Dilapidations Provisions

Determining the value of the dilapidations provisions included in the balance sheet requires estimation of future costs for restoring the premises to their original condition. These estimates are specific to each facility and based on experience.

Revenue Recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the group's activities.

Government Grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible Assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

Asset Class	Depreciation Method and Rate
Short term leasehold improvements	Over the length of the lease break clause
Other property, plant and equipment	1 - 5 years straight line
Furniture, fittings and equipment	2 years straight line

Investments

Investments in equity shares, relating to subsidiaries, are measured at cost less impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Provisions

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined Contribution Pension Obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial Instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the Profit and Loss account.

Recognition and Measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units; CGUs of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3. Revenue

The analysis of the group's revenue for the year from continuing and discontinuing operations is as follows:

	2022	2021
	£	£
Core funding from Innovate UK	13,509,186	11,499,803
Rendering of services	2,301,656	1,171,789
Collaborative research and development	2,035,465	728,427
Government COVID-19 commercial contracts	84,924,021	26,612,436
Government COVID-19 pass through contract	13,273,062	17,139,994
Other commercial	9,653,539	-
	125,696,929	**57,152,449**

The total turnover of the group has been derived from its principal activity wholly undertaken in the United Kingdom.

The core grant, of which £13,509,186 (2021 - £11,499,803) has been recognised in the year, has been provided to enable Medicines Discovery Catapult to operate as an innovative research and development company, transforming the UK's capability for innovation in drug discovery for companies operating in life sciences.

Revenue arising from the government COVID-19 contracts in the year amounted to £98,197,083 (2021 - £43,752,430) has been recognised in the year, in relation to testing and delivery of the COVID-19 Lighthouse project. This included £13,273,062 (2021 - £26,612,436) of passthrough revenue for reimbursement of expenses incurred.

Other commercial revenue relates to non-government contracts delivered in relation to COVID-19 testing.

4. Other Operating Income

The analysis of the group's other operating income for the year is as follows:

	2022	2021
	£	£
Other income	489,349	138,961

Other income relates to research and development expenditure credits.

5. Operating surplus

Arrived at after charging

	2022	2021
	£	£
Depreciation expense	3,412,040	2,357,125
Foreign exchange losses	85	236
Operating lease expense - property	913,733	425,850
Loss on disposal of property, plant and equipment	758,732	356
Impairment of fixed assets	1,395,070	-
Auditors remuneration	40,000	30,000
Auditors remuneration - non audit services	62,000	26,000

Following cessation of COVID-19 contracts on 31 March 2022, fixed assets relating to these contracts have been written down to their net realisable value, incurring a charge of £1,395,070.

6. Discontinued Operations

Due to the end of the government COVID-19 testing service effective on 31 March 2022, the primary income source for Medicines Discovery Catapult Services Limited, a subsidiary of the group, ceased. As a result Medicines Discovery Catapult Services Limited discontinued operations on the 31 March 2022. During the year, COVID-19 testing contributed revenue totalling £107,850,622 (2021 - £43,752,430) and profit before tax of £42,984,523 (2021 - £10,330,261) to the Group's results.

7. Interest Payable and Similar Expenses

	2022	2021
	£	£
Interest due on corporation tax	36,160	-

8. Staff Costs

Group

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	27,734,500	15,169,117
Social security costs	2,458,745	1,482,195
Pension costs, defined contribution scheme	1,915,377	879,096
	32,108,622	17,530,408

The average number of persons employed by the group (including Directors) during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Production	875	538
Directors	11	11
	886	549

Company

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	14,167,049	15,169,117
Social security costs	1,457,704	1,482,195
Pension costs, defined contribution scheme	1,025,649	879,132
	16,650,402	17,530,444

The average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Production	433	538
Directors	11	11
	444	549

During the financial year employees engaged in the Lighthouse Labs activity had their contracts moved to Medicine Discovery Catapult Services Limited via a TUPE transfer.

9. Directors' Remuneration

The Directors' remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration	487,677	460,277
Contributions paid to money purchase schemes	22,738	22,184
	510,415	482,461

During the year the number of Directors who were receiving benefits was as follows:

	2022	2021
	No.	No.
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid Director:

	2022	2021
	£	£
Remuneration	280,014	305,277
Company contributions to money purchase pension schemes	22,738	22,184

10. Taxation

Tax charged/(credited) in the profit and loss account

	2022	2021
	£	£
Current taxation		
UK corporation tax	8,081,533	2,001,944
UK corporation tax adjustment to prior periods	99,489	21,615
	8,181,022	2,023,559
Deferred taxation		
Arising from origination and reversal of timing differences	243,275	(15,190)
Arising from changes in tax rates and laws	(2,879)	-
Deferred tax adjustment to prior periods	1,336	-
Total deferred taxation	241,732	(15,190)
Tax expense in the profit and loss account	8,422,754	2,008,369

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022	2021
	£	£
Surplus before tax	42,814,323	10,248,141
Corporation tax at standard rate	8,134,721	1,947,147
Fixed asset differences	37,531	-
Adjustments to brought forward values	145,456	-
Adjustment in respect of prior periods - deferred tax	1,336	-
Effect of expense not deductible in determining taxable profit (tax loss)	145,809	4,901
Remeasurement of deferred tax change in tax rates	(3,363)	-
Deferred tax expense from unrecognised tax loss or credit	-	60,800
Increase in UK and foreign current tax from adjustment for prior periods	99,489	21,615
Movement in deferred tax not recognised	(45,456)	-
Tax decrease from effect of adjustment in research and development tax credit	(92,769)	(26,094)
Total tax charge	**8,422,754**	**2,008,369**

An increase in the main rate of corporation tax from 19% to 25% with effect from 1 April 2023 was substantively enacted in May 2021. Deferred tax at 31 March 2022 has been calculated at 25% (2021 - 19%) for Medicines Discovery Catapult Limited. Deferred tax has been calculated at 19% in Medicines Discovery Catapult Services Limited as it is expected that the trade for this company will cease prior to 1 April 2023, meaning that the timing differences will reverse at the current corporation tax rate of 19%. There is no deferred tax balance in Medicines Discovery Catapult Services Commercial Limited.

Deferred Tax

Group

Deferred tax (assets)/liabilities

	Liability
2022	£
Fixed asset timing differences	268,331
Short term timing differences	(37,050)
	231,281

	Asset
2021	
Fixed asset timing differences	(3,027)
Short term timing differences	13,478
	10,451

Company

Deferred tax (assets)/liabilities

	Asset
2022	£
Fixed asset timing differences	-
Short term timing differences	14,013
	14,013
2021	
Fixed asset timing differences	(3,027)
Short term timing differences	13,478
	10,451

11. Tangible Assets

Group

	Short Term Leasehold Improvements	Furniture, Fittings and Equipment	Other Property, Plant and Equipment	Total
	£	£	£	£
Cost				
At 1 April 2021	4,391,445	8,395,281	77,989	12,864,715
Additions	57,560	5,372,605	672,996	6,103,161
Disposals	-	(70,085)	(750,985)	(821,070)
At 31 March 2022	4,449,005	13,697,801	-	18,146,806
Depreciation				
At 1 April 2021	1,484,361	4,556,740	-	6,041,101
Charge for the year	878,289	2,533,751	-	3,412,040
Eliminated on disposal	-	(63,753)	-	(63,753)
Impairment	-	1,395,070	-	1,395,070
At 31 March 2022	2,362,650	8,421,808	-	10,784,458
Carrying amount				
At 31 March 2022	2,086,355	5,275,993	-	7,362,348
At 31 March 2021	2,907,084	3,838,541	77,989	6,823,614

Other property, plant and equipment additions in the year relates to assets under construction. The contract to build the asset ceased and therefore the assets were written off.

No depreciation has been charged on these assets.

Company

	Short Term Leasehold Improvements	Furniture, Fittings and Equipment	Other Property, Plant and Equipment	Total
	£	£	£	£
Cost				
At 1 April 2021	4,391,445	8,395,281	77,989	12,864,715
Additions	57,560	1,519,206	672,996	2,249,762
Disposals	-	(70,085)	(750,985)	(821,070)
At 31 March 2022	4,449,005	9,844,402	-	14,293,407
Depreciation				
At 1 April 2021	1,484,361	4,556,740	-	6,041,101
Charge for the year	878,289	1,838,277	-	2,716,566
Eliminated on disposal	-	(63,753)	-	(63,753)
At 31 March 2022	2,362,650	6,331,264	-	8,693,914
Carrying amount				
At 31 March 2022	2,086,355	3,513,138	-	5,599,493
At 31 March 2021	2,907,084	3,838,541	77,989	6,823,614

Other property, plant and equipment additions in the year relates to assets under construction. The contract to build the asset ceased and therefore the assets were written off. No depreciation has been charged on these assets.

12. Investments

Company

	2022	2021
	£	£
Investments in subsidiaries	2	1

Subsidiaries

	2022	2021
	£	£
Cost		
At 1 April 2021		1
Additions		1
At 31 March 2022		2
Carrying amount		
At 31 March 2022		2
At 31 March 2021		1

Details of Undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered Office	Holding	Proportion of Voting Rights and Shares Held	
			2022	2021
Subsidiary undertaking				
Medicines Discovery Catapult Services Limited	Block 35g, Mereside Ald , Alderley Edge, Macclesfield, Cheshire, SK10 4ZF England and Wales	Ordinary	100%	100%
Medicines Discovery Catapult Services Commercial Limited	Block 35g, Mereside Alderley Park, Alderley Edge, Macclesfield, Cheshire, SK10 4ZF England and Wales	Ordinary	100%	0%

13. Debtors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	41,517,820	232,869	71,348	-
Amounts owed by group undertakings	-	-	315,723	583,708
Other debtors	1,461,508	659,197	1,285,364	659,197
Prepayments	1,888,524	1,896,025	1,704,607	1,190,594
Deferred tax assets	-	10,451	14,013	10,451
Corporation tax asset	-	-	139,367	-
Total current trade and other debtors	44,867,852	2,798,542	3,530,422	2,443,950

14. Cash and Cash Equivalents

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank	31,007,982	40,262,830	9,441,730	4,536,287

15. Creditors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Due within one year				
Trade creditors	13,317,995	2,397,326	731,018	2,397,326
Social security and other taxes	7,072,581	2,766,063	253,147	1,553,452
Outstanding defined contribution pension costs	283,341	111,055	87,995	111,055
Other creditors	857,827	7,238,503	199,111	231,325
Accrued expenses	7,536,481	1,693,434	502,487	282,633
Corporation tax liability	1,450,221	2,001,944	-	16,744
Deferred income	9,203,312	25,009,754	8,723,546	9,147,550
	39,721,758	41,218,079	10,497,304	13,740,085

16. Provisions

Group

	Deferred tax	Provisions	Total
	£	£	£
At 1 April 2021	-	765,556	765,556
Increase in existing provisions	231,281	226,667	457,948
At 31 March 2022	231,281	992,223	1,223,504

Included within provisions is an amount of £992,223 (2021 - £765,556) in respect of anticipated dilapidation expenditure. This provision represents management's best estimate of costs accrued to date in respect of leased properties. It is expected that the dilapidation provision will become payable between 2026 and 2028.

Company

	Total
	£
At 1 April 2021	765,556
Increase (decrease) in existing provisions	226,667
At 31 March 2022	992,223

Included within provisions is an amount of £992,223 (2021 - £765,556) in respect of anticipated dilapidation expenditure. This provision represents management's best estimate of costs in respect of leased properties. It is expected that the dilapidation provision will become payable between 2026 and 2028.

17. Pension and Other Schemes

Defined Contribution Pension Scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,915,377 (2021 - £1,128,458).

Contributions totalling £283,341 (2021 - £111,055) were payable to the scheme at the end of the year and are included in creditors.

18. Reserves

Profit and Loss Account

Represents cumulative profits or losses and other adjustments.

19. Obligations Under Leases and Hire Purchase Contracts

Group Operating Leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	502,480	450,918
Later than one year and not later than five years	1,862,420	1,789,920
Later than five years	513,640	961,120
	2,878,540	3,201,958

The amount of non-cancellable operating lease payments recognised as an expense during the year was £913,733 (2021 - £425,850).

Company Operating Leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	502,480	450,918
Later than one year and not later than five years	1,862,420	1,789,920
Later than five years	513,640	961,120
	2,878,540	3,201,958

The amount of non-cancellable operating lease payments recognised as an expense during the year was £485,418 (2021 - £425,850).

20. Commitments

Group and Company Capital Commitments

At 31 March 2022, the Catapult had committed to purchase various items of laboratory and computer equipment.

The total amount contracted for but not provided in the financial statements was £37,502 (2021 - £1,234,220).

21. Related Party Transactions

Exploristics Limited

(A company in which C Molloy is also a Director)

During the year, the group made sales to Exploristics Limited of £2,448 (2021 - £9,598) and at 31 March 2022 £nil (2021 - £3,199) was owed to the group in respect of these sales.

North West E-Health Limited

(A company in which C Molloy is also a Director)

During the year, the group has made no sales to North West E-Health Limited (2021 - £11,995). At 31 March 2022 there were no outstanding debts due to the group from North West E-Health (2021 - £1,999).

22. Company Status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

Medicines Discovery Catapult
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2022

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