

Healthcare company's R&D tax credits help cash flow

INTERCYTEX LTD

Healthcare
Manchester
68 Staff
2005 Turnover £0
2005 R&D £3.4m
www.intercytex.com

KEY ISSUES IN THIS CASE STUDY

- ▶ Straightforward calculation and application process
- ▶ Value of claims far outweighed extra cost of claiming
- ▶ Reduces time from research to market

The company

Intercytex is an emerging healthcare company developing cell therapy products for the woundcare and aesthetic medicine markets. Intercytex has proprietary expertise in cell therapy, which is being applied to create products that harness the innate ability of human cells to regenerate and repair the body. Intercytex was founded in 1999 by Dr. Paul Kemp who was closely involved in the development of one of the first generation of cell therapy products approved for the woundcare market. Intercytex is applying its expertise in this area to develop a second generation of

products, which are expected to deliver improved performance in terms of ease of manufacture, cost of goods, storage and ease of use in the hands of clinicians. This proprietary experience and expertise is also being used to bring the benefits of cell therapy to the field of aesthetic medicine.

The Company has a broad patent base protecting its product portfolio comprising both inventions generated in-house and those in-licensed or acquired from third parties.

Intercytex has four products in development, all of which are derived from unmodified human cells, relating to the active stimulation of repair in chronic wounds, hair regeneration, facial rejuvenation and a durable and robust skin replacement.

From 1999 to 2005 Intercytex was a venture capital funded company. In January 2006 the Company successfully floated on the Alternative Investment Market. Based in Manchester, it employs 68 people.

The Company report ending December 2005 showed zero turnover, with an eligible expenditure for the R&D tax credit claim of £3.4 million.



Making a tax credits claim

"straightforward"

Mike Panteli, Finance Controller, said: "We found out from accountancy journals and the Financial Times that we were eligible for the R&D tax credits. We established which of our costs were eligible using the HMRC's guidelines and advice from tax professionals. The calculation to claim the R&D tax credit is straightforward, however we also rely on a firm of tax advisers to complete our corporation tax returns."

The benefits

"value of the claims far outweigh [the cost of] any additional calculations"

Mike said: "Our R&D tax credit claims are successful. We have had queries from the HMRC; however, these have been straightforward to deal with. Our experience of claiming the R&D tax credits shows that it does add to the admin burden; however, in our case the value of the claims far outweigh any additional calculations, form filling and professional fees".

Intercytex has claimed the R&D tax credit under the SME scheme; their 2004 claim, which has been settled was for £0.6 million in cash (under the payable credit) and the provisional calculation for the 2005 claim is for £0.7 million.

Mike said: "As an R&D company, we depend heavily on non-trading cash flows to enhance our product development and the R&D tax credits contribute towards this. It assists the company in recruiting the best available research staff, development of new and innovative products and reduces the timeline from pure research to marketing of products".

Mike said: "We claim the 100% capital allowances for our R&D-based capital expenditure."

Advice to newcomers

"Reduces timeline from research to market"

Mike's advice to newcomers to R&D tax credits is "No matter what the size of your R&D eligible spend, claim the credit! Because as you grow so will the R&D tax credit. I would strongly recommend R&D tax credits to similar business. Why:

- ▶ Straightforward calculation and application process.
- ▶ Enhances R&D process.
- ▶ Reduces timeline from research to market."