

Registrar's Copy

Pharm-Olam International (UK) Limited

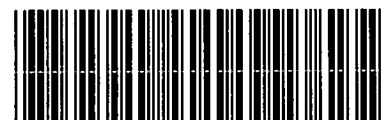
Report and Financial Statements

Year Ended

31 December 2018

Company Number 03125708

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Pharm-Olam International (UK) Limited

**Report and financial statements
for the year ended 31 December 2018**

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Directors

J D Barry
N K Gassen
D L Grange

Registered office

One Station Square 1st Floor, Station Square, Bracknell, Berkshire, RG12 1QB

Company number

03125708

Auditors

BDO LLP, Level 12, Thames Tower, Station Road, Reading, RG1 1LX

Legal form

Private company limited by shares

Pharm-Olam International (UK) Limited

Strategic report for the year ended 31 December 2018

The directors present the strategic report, the directors' report and financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the company continued to be that of management and consulting of clinical research trials.

Review of the business and key performance indicators

Key performance indicators of the company include revenue, gross profit margin, net profit margin, cash position and net current asset position.

The directors are satisfied with the level of revenue of the company and are satisfied that the company will improve this level of performance for the foreseeable future.

During the year, revenue decreased by 25.2% to £19,568,656 (2017 - £26,156,317) due to the value of projects being undertaken during the year and associated activity. Revenue is derived from sales of services, excluding value added tax, and is a key performance indicator, as it measures the output of the business. The company achieved a gross profit margin of 11% (2017 - 15%) and a net loss margin of 9% (2017 - net profit margin of 1%). The movement in gross profit margin has arisen as the cost of sales has not reduced to the same extent as revenue during the period. Additionally, the revenue mix is a factor. A higher percentage of the revenue decrease occurred in external revenues, which would achieve a greater Gross Profit margin than intercompany revenue.

The revenue is impacted by wins achieved up to several quarters prior and as such it is anticipated that increased wins achieved from Q1 2018 will impact through into 2019 and beyond.

The company's cash position at the year end was acceptable, with cash at bank and in hand of £919,160 (2017 - £2,646,234). The company had net current assets of £1,186,628 (2017 - £2,962,509) and net assets of £1,907,949 (2017 - £3,726,478) at the year end.

We believe the company's position in the market place to be satisfactory, and we look forward to growth in 2019.

Principal risks and uncertainties

CRO industry

The company operates in a very competitive industry, competing with both small providers offering niche services, and large global CROs. In addition to this competition, some of the company's customers have the ability to carry out many of the CRO's activities, and thus do not require all of a CRO's services.

Pharmaceutical industry

The company is reliant upon companies within the pharmaceutical industry continuing to outsource research and development expenditure. Any factors that affect or delay the level of outsourcing such as, but not limited to, merger and acquisition activity, and lack of pipeline within the pharmaceutical industry, will impact the company's ability to generate revenues.

Approval

This strategic report was approved on behalf of the Board on 14/JAN/2019


N K Gassen
Director

Pharm-Olam International (UK) Limited

Directors' report for the year ended 31 December 2018

The directors present their report together with the strategic report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, amounted to £1,820,529 (2017 – profit of £253,548).

The directors do not recommend payment of an ordinary dividend (2017 - £Nil).

Future developments

The directors anticipate that the company will improve its level of performance in the foreseeable future.

Financial instruments and risk management

Treasury activities take place under procedures and policies monitored by the directors. They are designed to minimise the financial risks faced by the company which primarily arise from interest rate, credit and liquidity risks. It is not the policy of the company to enter into speculative transactions.

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and balances with group companies. The purpose of these instruments is to raise funds for and finance the company's operations.

In respect of bank balances, liquidity risk has been managed through continual review of the funding status of the company and its exposure to liquidity risk. The company makes use of money market facilities where funds are available.

In respect of balances with group companies, these are interest free and payable on demand. The directors are aware of Pharm-Olam Group's required finance and have determined that these will only be repaid when finance is available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due.

The company has no financial instruments to hedge foreign exchange exposure and does not enter into derivative transactions.

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate. Further, Pharm-Olam Holdings LLC., the ultimate parent company, has confirmed its intention to support the company, as required, to ensure that the company can meet its obligations for a period of at least one year from the date of issuance of these financial statements.

Going concern

During the year the company's ultimate parent entity, Pharm-Olam LLC, failed to meet certain debt covenant obligations with its finance providers. As a result Pharm-Olam LLC has been operating under forbearance agreements since April 2019 which prevent the finance providers from calling the debt. The current forbearance agreements expire on 15 February 2020, Pharm-Olam LLC's management is actively engaged with the finance providers to renegotiate the debt covenants and expects successful outcomes of these negotiations prior to the expiration of the current forbearance agreements. The directors have considered the appropriateness of the going concern basis when preparing financial statements and, after considering the uncertainties, the directors have a reasonable expectation that the parent Group will be successful in renegotiating the debt covenants. Accordingly the directors consider it is appropriate to continue to adopt the going concern basis in preparing the financial statements. See note 1.

Pharm-Olam International (UK) Limited

Directors' report
for the year ended 31 December 2018 (continued)

Directors

The directors of the company during the year were:

J D Barry
N K Gassen
D L Grange
Y Khan (resigned 26 July 2019)

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of Pharm-Olam International (UK) Limited.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board



N K Gassen
Director

Date

14/JAN/2020

Pharm-Olam International (UK) Limited

Directors' responsibilities statement for the year ended 31 December 2018

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

Pharm-Olam International (UK) Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF PHARM-OLAM INTERNATIONAL (UK) LIMITED

Opinion

We have audited the financial statements of Pharm-Olam International (UK) Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, and the 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 Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that there is uncertainty relating to the indirect parent's breach of debt compliance obligations and therefore a requirement to renegotiate the debt covenants. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Pharm-Olam International (UK) Limited

Independent auditor's report (*continued*)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, 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.

Opinions on other matters 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 the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Pharm-Olam International (UK) Limited

Independent auditor's report (continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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.

BDO LLP

Ian Oliver (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, UK

Date 14/1/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Pharm-Olam International (UK) Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	3	19,568,656	28,156,317
Cost of sales		(17,348,904)	(22,205,520)
Gross profit		2,219,752	3,950,797
Administrative expenses		(4,089,630)	(3,653,849)
Operating (loss)/profit	4	(1,869,878)	296,948
Other interest receivable and similar income	7	3,197	16,576
Interest payable and similar charges	8	(1,267)	(433)
(Loss)/profit on ordinary activities before taxation		(1,867,948)	313,091
Taxation on (loss)/profit from ordinary activities	9	47,419	(59,543)
(Loss)/Profit for the financial year		(1,820,529)	253,548
Total comprehensive (loss)/income for the year		(1,820,529)	253,548

All amounts relate to continuing activities.

The notes on pages 11 to 22 form part of these financial statements.

Pharm-Olam International (UK) Limited

Balance sheet at 31 December 2018

Company number 03125708	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	10		227,854		272,501
Investments	11		493,468		493,468
			721,322		765,969
Current assets					
Debtors	12	6,556,277		8,035,208	
Cash at bank and in hand		919,160		2,646,234	
		7,475,437		10,681,442	
Creditors: amounts falling due within one year	13	(6,288,810)		(7,718,933)	
Net current assets			1,186,627	2,962,509	
Total assets less current liabilities			1,907,949	3,728,478	
Capital and reserves					
Called up share capital	15	50,000		50,000	
Profit and loss account	16	1,857,949		3,678,478	
Shareholders' funds			1,907,949	3,728,478	

The financial statements were approved by the Board of Directors and authorised for issue on 14/JAN/2019


N K Gassen
Director

The notes on pages 11 to 22 form part of these financial statements.

Pharm-Olam International (UK) Limited

Statement of changes in equity for the year ended 31 December 2018

	Share capital £	Profit and loss account £	Total equity £
1 January 2017	50,000	3,424,930	3,474,930
Comprehensive income for the year			
Profit on ordinary activities after taxation	-	253,548	253,548
31 December 2017	50,000	3,678,478	3,728,478
Comprehensive income for the year			
Loss on ordinary activities after taxation	-	(1,820,529)	(1,820,529)
31 December 2018	50,000	1,857,949	1,907,949

The notes on pages 11 to 22 form part of these financial statements.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018

1 Accounting policies

Pharm-Olam International (UK) Limited is a company incorporated, registered and domiciled in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies, see note 2.

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Pharm-Olam Group Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Going concern

Accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the financial statements and if necessary to explain how they have reached their conclusion. The company is wholly owned by its indirect parent entity, Pharm Olam LLC. As the result of Pharm-Olam LLC's inability to meet certain financial expectations, primarily based on results of profitability and new business signings, Pharm-Olam LLC failed to meet certain debt covenant obligations with its finance providers. Pharm-Olam LLC has been operating under forbearance agreements since April 2019 which prevent the finance providers from calling the debt. The current forbearance agreements expire on 15 February 2020, Pharm-Olam LLC's management is actively engaged with the finance providers to renegotiate the debt covenants and expects successful outcomes of these negotiations prior to the expiration of the current forbearance agreements. Should the renegotiation of the debt covenants not complete prior to expiry of the forbearance agreements, Pharm-Olam LLC management expects the forbearance agreements to be extended until such renegotiation is complete.

Pharm-Olam LLC has prepared cash flow forecasts for the Group, including the Company, for a period of twelve months from the date of approval of these financial statements. The directors of the company have reviewed these cash flow forecasts which demonstrate that, with the successful re-negotiation of the debt covenants, the Pharm-Olam LLC group and the company are able to continue to operate for a period of at least 12 months from the date of approval of these financial statements.

However, as a result of the Group's current financial position and Pharm-Olam LLC's control over the company, which relies on Pharm-Olam LLC for financial and operational support, the directors have concluded that a material uncertainty exists that may cast significant doubt upon the company's ability to continue as a going concern. After considering the uncertainties, the directors have a reasonable expectation that the parent Group will be successful in renegotiating the debt covenants and the Company has received a letter of parental financial support for at least twelve months from the date of approval of these financial statements. Accordingly the directors consider it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

FRS 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a cash flow statement;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year;
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total; and
- Certain requirements of Section 11 and 12 relating to financial instrument disclosures.

This information is included in the consolidated financial statements of Pharm-Olam Group Limited as at 31 December 2018 and these financial statements may be obtained from Pharm-Olam Group Limited, One Station Square 1st Floor, Station Square, Bracknell, Berkshire, RG12 1QB.

The following principal accounting policies have been applied:

Revenue

Revenue represents amounts receivable for services which fall within the company's ordinary activities, net of VAT and trade discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable net of any sales tax or discounts.

Revenue recognition

Fee income represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts, the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors in accrued income and amounts recognised in revenue. Amounts billed in excess of the relevant amount of revenue recognised are included in creditors in payments on account.

Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

Tangible fixed assets and depreciation

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

Fixtures, fittings and computer equipment - 3 - 4 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income or losses' in the statement of comprehensive income.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Current and deferred taxation

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

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 company operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leasing

All leases are operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease. Reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling' or 'GBP', which is the company's presentation currency and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

Financial assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Pension cost

Contributions to the company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- *Trade debtors impairment loss (see note 12)*

Trade debtors are reviewed for impairment loss on an annual basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

- *Foreign currencies*

Foreign exchange rates are obtained using the HMRC monthly, average and spot rates. These are used as they are believed to be an accurate estimation of the exchange rates for any given month.

- *Project completion and recognition*

The company's policy is to recognise revenue for projects as contract activity is undertaken by the company on those projects. For projects with multiple stages with separable identifiable revenue allocated to each stage, then revenue for each stage is recognised during the completion of that stage on a percentage complete basis, which is an estimate. Revenue that is contingent on any event outside the control of the company is recognised when the contingent event occurs.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018

3 Revenue

Analysis of revenue by country of destination	2018 £	2017 £
United Kingdom	3,577,231	2,176,635
Rest of Europe	8,748,034	17,232,213
Rest of the World	7,243,391	6,747,469
	<u>19,568,656</u>	<u>26,156,317</u>

Analysis by class of business

The company's entire revenue is attributable to the management and consulting of clinical research trials.

4 Operating profit / (loss)

	2018 £	2017 £
This has been arrived at after charging:		
Depreciation of tangible assets	81,886	57,568
Operating lease rentals	202,684	217,140
Auditors' remuneration:		
- Audit fees	45,000	43,750
- Non-audit services	4,000	2,650
Loss on foreign exchange transactions	126,299	36,338
	<u></u>	<u></u>

5 Employees

	2018 £	2017 £
Staff costs consist of:		
Wages and salaries	3,912,766	3,611,776
Social security costs	400,032	407,291
Other pension costs	184,554	163,704
	<u>4,497,352</u>	<u>4,182,771</u>

The average number of employees (including directors) during the year was:

	2018 Number	2017 Number
Clinical	66	65
Business development	4	4
Administration	11	11
Quality	4	2
	<u>85</u>	<u>82</u>

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 *(continued)*

6 Remuneration of directors

	2018 £	2017 £
Directors emoluments:		
Remuneration as directors	708,886	-
Pension contributions	18,029	-
	<u>726,915</u>	<u>-</u>

The emoluments, excluding pension contributions, of the highest paid director were £708,886 (2017: *Nil*). Pension contributions were paid on behalf of the highest paid director of £18,029 (2017: *Nil*). There was 1 director (2017: 0) entitled to benefits under defined contribution schemes.

Three of the directors (2017 – four) received no remuneration in respect of their services to the company and their salary was paid by the immediate parent company.

7 Other interest receivable and similar income

	2018 £	2017 £
Bank interest	3,197	16,576
	<u>3,197</u>	<u>16,576</u>

8 Interest payable and similar charges

	2018 £	2017 £
Bank loans and overdrafts	1,267	433
	<u>1,267</u>	<u>433</u>

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 *(continued)*

9 Taxation on (loss)/profit from ordinary activities

	2018 £	2017 £
<i>Current tax</i>		
UK corporation tax on profit/(loss) for the year	(31,616)	30,365
Adjustments for previous periods	1,126	(331)
Relief for overseas tax	-	(3,510)
	<u>(30,490)</u>	<u>26,524</u>
Foreign corporation tax	4,365	3,510
	<u>(26,125)</u>	<u>30,034</u>
Total current tax (credit)/charge		
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 14)	(21,294)	29,509
	<u>(47,419)</u>	<u>59,543</u>
Tax (credit)/charge on (loss)/profit on ordinary activities		

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £	2017 £
(Loss)/Profit on ordinary activities before tax	(1,867,948)	313,091
(Loss)/Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	(354,910)	60,270
Effects of:		
Non deductible expenses	651	6,475
Adjustments for previous periods	1,126	(331)
Deferred tax adjustments	297,601	(3,905)
Other tax adjustments	8,113	(2,966)
	<u>(47,419)</u>	<u>59,543</u>
Total tax (credit)/charge for the year		

Factors that may affect future tax charges

The effect of changes to the corporation tax rates substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2017 (on 7 September 2017) includes reductions to the main rate from 19% at 31 December 2018 to 17% from 1 April 2020. There were no other factors that may affect future tax charges.

For the purposes of deferred tax, the rate change from 19% to 17% had been substantively enacted before the balance sheet date. This will reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

10 Tangible assets

	Fixtures, fittings and computer equipment £	Total £
<i>Cost</i>		
At 1 January 2018	1,858,945	1,858,945
Additions	37,239	37,239
At 31 December 2018	1,896,184	1,896,184
<i>Depreciation</i>		
At 1 January 2018	1,586,444	1,586,444
Charge for the year	81,886	81,886
At 31 December 2018	1,668,330	1,668,330
<i>Net book value</i>		
At 31 December 2018	227,854	227,854
At 31 December 2017	272,501	272,501

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

11 Investment in subsidiaries

Unlisted
investments
£

Cost and net book value

At 1 January 2018 and at 31 December 2018

493,468

Company	Country of incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Pharm-Olam International (India) Pvt Limited	India	Ordinary	100%
Pharm-Olam (Bulgaria) EOOD	Bulgaria	Ordinary	100%
Pharm-Olam International d.o.o	Croatia	Ordinary	100%
Pharm-Olam International (Spain) S.L.	Spain	Ordinary	100%
Pharm-Olam International (Polska) Sp.z.o.o	Poland	Ordinary	100%
Pharm-Olam International Deutschland GmbH	Germany	Ordinary	100%
Pharm-Olam International (Belgium) Pvt Limited	Belgium	Ordinary	99%
Pharm-Olam (Hungary) Medical Research LLC	Hungary	Ordinary	100%
Pharm-Olam International (Italy) S.R.L.	Italy	Ordinary	100%
Pharm-Olam (Turkey)	Turkey	Ordinary	100%
Pharm-Olam International s.r.o.	Czech Republic	Ordinary	100%
Pharm-Olam International d.o.o	Serbia	Ordinary	100%
Pharm-Olam International (France) SAS	France	Ordinary	100%
Pharm-Olam International (Israel) Limited	Israel	Ordinary	100%

All of the subsidiary companies carry out the management and consulting of clinical research trials except Pharm-Olam (Bulgaria) EOOD which is dormant.

The company, together with its subsidiaries as detailed above, are included in the group financial statements of Pharm-Olam Group Limited. Pharm-Olam International (Israel) Limited and Pharm-Olam (Bulgaria) EOOD are not included in the consolidated group results as these entities are immaterial for group purposes.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 *(continued)*

11 Investment in subsidiaries *(continued)*

The registered office of each of the company's subsidiaries is as follows:

Pharm-Olam International (India) Pvt Limited	No. 15, KMJ Arcadia, I Floor, Industrial Main Road, Koramangala, 5th Block, Bangalore – 560 095, India
Pharm-Olam (Bulgaria) EOOD	55 Parchevich Str. 1000 Sofia, Bulgaria
Pharm-Olam International d.o.o	Adnicka cesta39, 10000 Zagreb, Croatia
Pharm-Olam International (Spain) S.L.	Calle Antracita, 7 , Floor 1 – Unit 6 , Madrid, 28045, Spain
Pharm-Olam International (Polska) Sp.z.o.o	Al. Jerozolimskie 181, 02-222 Warszawa, Polska
Pharm-Olam International Deutschland GmbH	Ingolstädter Str. 20, 80807 München, Germany
Pharm-Olam International (Belgium) Pvt Limited	Dorp 14 a, Testelt, 3272, Belgium
Pharm-Olam (Hungary) Medical Research LLC	H-1031 Budapest, Kalászi út 11, Hungary
Pharm-Olam International (Italy) S.R.L.	Piazza Buonarroti 32, 20145 Milano, Italy
Pharm-Olam (Turkey)	Buyukdere Cad. Ali Kaya Sok. Polat Plaza B Blok No:4 K:13, Levent Istanbul Turkey 34394
Pharm-Olam International s.r.o.	Doudlebská 1699/5, 140 00 Prague 4, Czech Republic
Pharm-Olam International d.o.o	Djordja , Stanojevica 14, 11000 Belgrade, Serbia
Pharm-Olam International (France) SAS	20 rue Lafitte , 75009, Paris, France
Pharm-Olam International (Israel) Limited	122 Moria Boulevard, Zip Code 3461813 Haifa Israel, P.O.Box 7511, Zip Code 3107401

12 Debtors

	2018 £	2017 £
Trade debtors	1,939,759	1,771,279
Amounts owed by parent and fellow subsidiary undertakings	1,217,759	1,303,824
Other debtors	6,269	41,120
Prepayments and accrued income	3,307,638	4,918,985
Corporation tax	84,852	-
	<u>6,556,277</u>	<u>8,035,208</u>

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

13 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	777,154	976,727
Amounts owed to parent and fellow subsidiary undertakings	316,321	291,972
Corporation tax	-	5,490
Other taxes and social security costs	75,343	102,379
Other creditors	-	24,807
Accruals and deferred income	5,119,992	6,296,264
Deferred taxation (note 14)	-	21,294
	<u>6,288,810</u>	<u>7,718,933</u>

14 Deferred taxation

	£
At 1 January 2018 - liability	(21,294)
Credit to the profit and loss account	21,294
	<u>-</u>

As at 31 December 2018

	2018 £	2017 £
Accelerated capital allowances	-	(25,890)
Other short term timing differences	-	4,596
	<u>-</u>	<u>(21,294)</u>

The company has £264,033 of unrecognised deferred tax on losses.

15 Share capital

	Allotted, called up and fully paid			
	2018 Number	2017 Number	2018 £	2017 £
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

The company has one class of ordinary shares which carries no right to fixed income.

16 Reserves

Profit and loss account

The profit and loss account represents cumulative profits, losses and total other recognised gains or losses made by the company, including distributions.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

17 Commitments under operating leases

As at 31 December 2018, the company had minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2018 £	Other 2018 £	Land and buildings 2017 £	Other 2017 £
Within one year	174,859	8,068	174,092	8,457
In two to five years	252,657	11,235	353,720	9,688
	<u>427,516</u>	<u>19,303</u>	<u>527,812</u>	<u>18,145</u>

18 Related party transactions

During the year the company entered into financing arrangements with its subsidiaries and received income for services provided to its parent and subsidiaries. The company was charged for monitoring and research services carried out by its subsidiary undertakings. The resulting amounts owed to the company by its parent and fellow subsidiaries was £1,217,759 (2017 - £1,303,825) and is included within amounts owed by parent and fellow subsidiary undertakings in note 12. The resulting amounts owed by the company to its subsidiaries was £316,321 (2017 - £291,972) and is included within amounts owed to subsidiary undertakings in note 13.

Further disclosures of transactions entered into between the company and other wholly owned members of the group are not provided in line with FRS 102 section 33.1A.

19 Ultimate controlling party

Pharm-Olam International (UK) Limited is a wholly owned subsidiary of Pharm-Olam Group Limited, a company registered in England and Wales and the smallest group in which the results of the company are consolidated. The consolidated accounts of this company are available to the public and may be obtained from Pharm-Olam Group Limited, One Station Square 1st Floor, Station Square, Bracknell, Berkshire, RG12 1QB.

Pharm-Olam Group Limited is wholly owned by Pharm-Olam International LLC, a company based in Texas, United States of America and the largest group in which the results of the company are consolidated. The company's ultimate controlling party is Quad-C Management Inc. ("Quad-C"), a company based in Charlottesville, Virginia, United States of America.