

Pharm-Olam International (UK) Limited

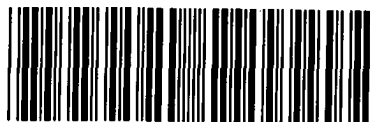
Report and Financial Statements

Year Ended

31 December 2019

Company Number 03125708

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Pharm-Olam International (UK) Limited

Report and financial statements for the year ended 31 December 2019

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Directors

N K Gassen
R J Davie

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 2019

The directors present the strategic report, the directors' report and the financial statements for the year ended 31 December 2019.

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. The global Covid-19 pandemic has led to a slowing of revenue during 2020, but also to an increase in related new business wins – with Q3 and Q4 2020 recording significant wins for the company. This will work out as revenue in 2021 and beyond, and so the directors are confident that the company will improve its level of performance for the foreseeable future.

The directors have restated 2018 comparative results, for a prior period error as described in note 2.

During the year, revenue increased by 6% to £20,250,306 (2018 restated - £19,065,388) 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 27% (2018 restated – 15%) and a net profit margin of 5% (2018 restated – net loss margin of -6%). The movement in gross profit margin has arisen due to changes in the revenue mix. The proportion of the revenue derived from external revenues has increased, which achieve a greater gross profit margin than intercompany revenue. This, in addition to controlled costs, has resulted in the improved net profit margin.

The company's cash position at the year end was acceptable, with cash at bank and in hand of £638,857 (2018 - £919,160). The company had net current assets of £2,891,549 (2018 restated - £1,770,441) and net assets of £3,577,661 (2018 restated - £2,491,763) at the year end, with the increase primarily due to a larger intercompany receivables balance from the US parent at year end.

The directors believe the company's position in the market place to be satisfactory. Despite the challenges posed to all CRO companies by the Covid-19 pandemic, the company has maintained performance in 2020 and experienced a growth in business wins to fuel an expectation of further overall growth in 2021.

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 revenue. The pharmaceutical industry, as an operating environment, has been very challenging in 2020 with the impact of the Covid-19 pandemic raising specific challenges around all patient and hospital based activity. This challenge has been addressed by an increase in use of remote/electronic monitoring capabilities, which will continue to play a part in 2021 and going forward.

Pharm-Olam International (UK) Limited

Strategic report
for the year ended 31 December 2019 (*continued*)

Approval

This strategic report was approved on behalf of the Board on 15 April 2021



N K Gassen
Director

Pharm-Olam International (UK) Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the strategic report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £1,085,898 (2018 restated – loss of £1,236,715).

The directors do not recommend payment of an ordinary dividend (2018 - £Nil).

Future developments

An increase in related new business wins – in particular during Q3 and Q4 2020 – will work out as revenue in 2021 and beyond, and so the directors are confident that the company will improve its level of performance for 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 International (UK) Limited'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.

Going concern

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate. New 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.

On 19 June 2020, New Pharm-Olam Holdings LLC obtained control of the company following the conclusion of a foreclosure arrangement in which ownership of the group was transferred from Pharm-Olam Holdings LLC, in satisfaction of its debt obligations. The new parent has sufficient facilities in place in order to support the company, should that support be required.

During 2020 results have been inevitably impacted by the global Covid-19 pandemic. This has led to a reduction of revenue and an operating loss during 2020, but also to an increase in related new business wins – with Q3 and Q4 2020 recording significant wins for the company. This will work out as revenue in 2021 and beyond.

Pharm-Olam International (UK) Limited

Directors' report for the year ended 31 December 2019 (continued)

Going concern (continued)

After carrying out a comprehensive review and evaluation of the principal risks and uncertainties faced by the business, the directors believe that, with the ongoing support of the ultimate parent undertaking, the company is well placed to manage its risks and cash flows effectively, and therefore that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease 2019 ("COVID-19") a pandemic. During 2020 the company's results have been inevitably impacted by the global Covid-19 pandemic. This has led to a slowing of revenue during 2020, but also to an increase in related new business wins – with Q3 and Q4 2020 recording significant wins for the company. This will work out as revenue in 2021 and beyond.

Following the conclusion of the Trade and Cooperation Agreement with the European Union, the company continues to review the impact on its operations. The company already has established European subsidiaries and therefore has the ability to adapt operations as required. The company believes there will be minimal impact on its business and none on the ability of the company to service customers.

Directors

The directors of the company during the year and to the date of this report were:

N K Gassen
R J Davie (appointed 27 March 2020)
J D Barry (resigned 27 March 2020)
D L Grange (resigned 27 March 2020)
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.

On behalf of the Board



N K Gassen
Director

15 April 2021

Pharm-Olam International (UK) Limited

Directors' responsibilities statement for the year ended 31 December 2019

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 2019 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 strategic report and the directors' 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.

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.

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.

Pharm-Olam International (UK) Limited

Independent auditor's report (*continued*)

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 on 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

15 April 2021

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 2019

	Note	2019 £	2018 £ Restated - note 2
Revenue	4	20,250,306	19,065,388
Cost of sales		(14,839,542)	(16,261,822)
Gross profit		5,410,764	2,803,566
Administrative expenses		(4,297,486)	(4,089,630)
Operating profit/(loss)	5	1,113,278	(1,286,064)
Other interest receivable and similar income	8	17	3,197
Interest payable and similar charges	9	(734)	(1,267)
Profit /(loss) on ordinary activities before taxation		1,112,561	(1,284,134)
Taxation on profit/(loss) from ordinary activities	10	(26,663)	47,419
Profit/(loss) for the financial year		1,085,898	(1,236,715)
Total comprehensive profit/(loss) for the year		1,085,898	(1,236,715)

All amounts relate to continuing activities.

The notes on pages 12 to 24 form part of these financial statements.

Pharm-Olam International (UK) Limited

Balance sheet at 31 December 2019

Company number 03125708	Note	2019 £	2019 £	2018 £ Restated - note 2	2018 £ Restated - note 2
Fixed assets					
Tangible assets	11		192,644		227,854
Investments	12		493,468		493,468
			<u>686,112</u>		<u>721,322</u>
Current assets					
Debtors	13	9,143,495		6,556,277	
Cash at bank and in hand		638,857		919,160	
		<u>9,782,352</u>		<u>7,475,437</u>	
Creditors: amounts falling due within one year	14	(6,890,803)		(5,704,996)	
Net current assets			<u>2,891,549</u>		<u>1,770,441</u>
Total assets less current liabilities			<u>3,577,661</u>		<u>2,491,763</u>
Capital and reserves					
Called up share capital	16		50,000		50,000
Profit and loss account	17		3,527,661		2,441,763
Shareholders' funds			<u>3,577,661</u>		<u>2,491,763</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 April 2021



N K Gassen
Director

The notes on pages 12 to 24 form part of these financial statements.

Pharm-Olam International (UK) Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £	Profit and loss account £	Total equity £
1 January 2018	50,000	3,678,478	3,728,478
Comprehensive income for the year			
Loss on ordinary activities after taxation - Restated (note 2)	-	(1,236,715)	(1,236,715)
31 December 2018 – Restated (note 2)	50,000	2,441,763	2,491,763
Comprehensive income for the year			
Profit on ordinary activities after taxation	-	1,085,898	1,085,898
31 December 2019	50,000	3,527,661	3,577,661

The notes on pages 12 to 24 form part of these financial statements.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019

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 3.

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

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate. New 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.

On 19 June 2020, New Pharm-Olam Holdings LLC obtained control of the company following the conclusion of a foreclosure arrangement in which ownership of the group was transferred from Pharm-Olam Holdings LLC, in satisfaction of its debt obligations. The new parent has sufficient facilities in place in order to support the company, should that support be required.

During 2020 results have been inevitably impacted by the global Covid-19 pandemic. This has led to a reduction of revenue and an operating loss during 2020, but also to an increase in related new business wins – with Q3 and Q4 2020 recording significant wins for the company. This will work out as revenue in 2021 and beyond.

After carrying out a comprehensive review and evaluation of the principal risks and uncertainties faced by the business, the directors believe that, with the ongoing support of the ultimate parent undertaking, the company is well placed to manage its risks and cash flows effectively, and therefore that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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;

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

- 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 2019 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 deferred income.

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.

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.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

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 related cost is expensed on a straight line basis, 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.

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.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

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 Restatement of prior year

During the year, the directors have been made aware of the double recording of certain intercompany transactions between the company and the wider group. This related to the internal recording of pass-through costs. The prior year financial information has been restated with a £503,268 decrease to revenue and a £1,087,082 decrease in cost of sales, along with a £583,814 corresponding decrease in accrued liabilities which is where the net impact of the overstated pass-through costs was recorded. This has resulted in a net £583,814 increase in recognised profit and a corresponding decrease in creditors and increase in net assets and net current assets by £583,814 as at 31 December 2018. There is no overall cash impact.

3 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 13)*

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.

- *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 2019 (continued)

4 Revenue

Analysis of revenue by country of destination	2019 £	2018 £ Restated - note 2
United Kingdom	9,447,076	3,577,231
Rest of Europe	4,018,303	8,748,034
Rest of the World	6,784,927	6,740,123
	<u>20,250,306</u>	<u>19,065,388</u>

Analysis by class of business

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

5 Operating profit

	2019 £	2018 £
This has been arrived at after charging:		
Depreciation of tangible assets	77,043	81,886
Operating lease rentals	212,786	202,684
Auditors' remuneration:		
- Audit fees	51,000	45,000
- Non-audit services	10,500	4,000
Gain/(Loss) on foreign exchange transactions	(56,395)	126,299
	<u></u>	<u></u>

6 Employees

	2019 £	2018 £
Staff costs consist of:		
Wages and salaries	4,171,527	3,912,766
Social security costs	402,732	400,032
Other pension costs	239,086	184,554
	<u>4,813,345</u>	<u>4,497,352</u>

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

	Number	Number
Clinical	59	66
Business development	4	4
Administration	13	11
Quality	4	4
	<u>80</u>	<u>85</u>

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

7 Remuneration of directors

	2019 £	2018 £
Directors emoluments:		
Remuneration as directors	365,131	708,886
Pension contributions	10,517	18,029
	<u>375,648</u>	<u>726,915</u>

The emoluments, excluding pension contributions, of the highest paid director were £365,131 (2018 - £708,886). Pension contributions were paid on behalf of the highest paid director of £10,517 (2018 - £18,029). There was one director (2018 - one) entitled to benefits under defined contribution schemes.

Three of the directors (2018 – three) received no remuneration in respect of services to the company, as their services to the company were incidental.

8 Other interest receivable and similar income

	2019 £	2018 £
Bank interest	17	3,197
	<u>17</u>	<u>3,197</u>

9 Interest payable and similar charges

	2019 £	2018 £
Bank loans and overdrafts	734	1,267
	<u>734</u>	<u>1,267</u>

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

10 Taxation on loss from ordinary activities

	2019 £	2018 £
<i>Current tax</i>		
UK corporation tax on profit / (loss) for the year	17,405	(31,616)
Adjustments for previous periods	-	1,126
Relief for foreign corporation tax	(3,349)	-
	<u>14,056</u>	<u>(30,490)</u>
Foreign corporation tax	3,349	4,365
	<u>17,405</u>	<u>(26,125)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 15)	9,258	(21,294)
	<u>26,663</u>	<u>(47,419)</u>
Tax (credit) / charge on profit / loss 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:

	2019 £	2018 £ Restated - note 2
Profit/(loss) on ordinary activities before tax	<u>1,112,561</u>	<u>(1,284,134)</u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	211,387	(243,985)
Effects of:		
Expenses not deductible for tax purposes	45	651
Fixed asset timing differences	688	688
Adjustments for previous periods	-	1,126
Deferred tax adjustments	(297,018)	297,601
Income not taxable for tax purposes	-	(110,925)
Adjustments to brought forward values	110,925	-
Other tax adjustments	636	7,425
	<u>26,663</u>	<u>(47,419)</u>
Total tax charge/(credit) for the year		

In the prior year the company had £264,033 of unrecognised deferred tax on losses, which has now been recognised due to the profit achieved by the company in the current year.

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

10 Taxation on loss from ordinary activities *(continued)*

Factors that may affect future tax charges

The effects of changes to the corporation tax rates, substantively enacted as part of the Finance Act 2016 on 15 September 2016, made a reduction of UK corporation tax to 17% effective 1 April 2020. On 11 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. This change was substantively enacted on 17 March 2020.

11 Tangible assets

	Fixtures, fittings and computer equipment £	Total £
<i>Cost</i>		
At 1 January 2019	1,896,184	1,896,184
Additions	41,833	41,833
At 31 December 2019	1,938,017	1,938,017
<i>Depreciation</i>		
At 1 January 2019	1,668,330	1,668,330
Charge for the year	77,043	77,043
At 31 December 2019	1,745,373	1,745,373
<i>Net book value</i>		
At 31 December 2019	192,644	192,644
At 31 December 2018	227,854	227,854

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

12 Investment in subsidiaries

Unlisted
investments
£

Cost and net book value

At 1 January 2019 and at 31 December 2019

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 2019 (continued)

12 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

13 Debtors

	2019 £	2018 £
Trade debtors	2,422,987	1,939,759
Amounts owed by parent and fellow subsidiary undertakings	3,537,898	1,217,759
Other debtors	-	6,269
Prepayments and accrued income	3,119,814	3,307,638
Corporation tax	62,796	84,852
	9,143,495	6,556,277

Pharm-Olam International (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

14 Creditors: amounts falling due within one year

	2019 £	2018 £ Restated - note 2
Trade creditors	578,219	777,154
Amounts owed to parent and fellow subsidiary undertakings	1,349,473	316,321
Other taxes and social security costs	329,746	75,343
Other creditors	2,879	-
Accruals and deferred income	4,621,228	4,536,178
Deferred taxation (note 15)	9,258	-
	<u>6,890,803</u>	<u>5,704,996</u>

15 Deferred taxation

At 1 January 2019 - liability	-
Charge/(credit) to the profit and loss account	9,258

As at 31 December 2019	<u>9,258</u>
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	2019 £	2018 £
Accelerated capital allowances	18,100	-
Other short term timing differences	(8,842)	-
	<u>9,258</u>	<u>-</u>

The company has no unrecognised deferred tax on losses (2018 - £264,033).

16 Share capital

	2019 Number	Allotted, called up and fully paid 2018 Number	2019 £	2018 £
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

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

17 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 2019 (continued)

18 Commitments under operating leases

As at 31 December 2019, the company had minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2019 £	Other 2019 £	Land and buildings 2018 £	Other 2018 £
Within one year	175,400	-	174,859	8,068
In two to five years	163,106	-	252,657	11,235
Over five years	3,572	-	-	-
	<u>342,078</u>	<u>-</u>	<u>427,516</u>	<u>19,303</u>

19 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 £3,537,898 (2018 - £1,217,759) and is included within amounts owed by parent and fellow subsidiary undertakings in note 13. The resulting amounts owed by the company to its parent and fellow subsidiaries was £1,349,473 (2018 - £316,321) and is included within amounts owed to subsidiary undertakings in note 14.

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.

Key management personnel include the director and those members of senior personnel within the company who together have authority and responsibility for planning, directing and controlling the activities of the company. Total compensation paid to key management personnel for services provided to the company was £443,048 (2018 - £708,886).

20 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.

Until 19 June 2020, Pharm-Olam Group Limited was wholly owned by its immediate parent company, Pharm-Olam International LLC. Pharm-Olam International LLC's immediate parent, Pharm-Olam LLC, heads the largest group in which the results of the Pharm-Olam Group Limited were consolidated. The consolidated accounts of Pharm-Olam LLC are not available to the public. The ultimate controlling party until 19 June 2020 was the company's ultimate parent company, Pharm-Olam Holdings LLC.

On 19 June 2020, ownership of the Pharm-Olam group changed to New Pharm-Olam Holdings LLC. As a result, Pharm-Olam International (UK) Limited's ultimate controlling party from this date is New Pharm-Olam Holdings LLC.

Pharm-Olam International (UK) Limited

**Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)**

21 Post balance sheet events

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease 2019 ("COVID-19") a pandemic. During 2020 the company's results have been inevitably impacted by the global Covid-19 pandemic. This has led to a slowing of revenue during 2020, but also to an increase in related new business wins – with Q3 and Q4 2020 recording significant wins for the company. This will work out as revenue in 2021 and beyond.

Following the conclusion of the Trade and Cooperation Agreement with the European Union, the company continues to review the impact on its operations. The Pharm-Olam group already has established European subsidiaries and therefore has the ability to adapt operations as required. The company believes there will be minimal impact on its business and none on the ability of the company to service customers.