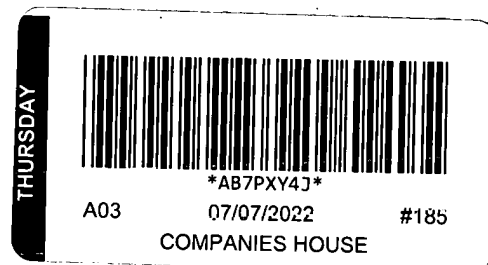


Registration number: 03696586

Pharmalex UK Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Rödl & Partner Limited
170 Edmund Street
Birmingham
B3 2HB

Pharmalex UK Services Limited

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Pharmalex UK Services Limited

Company Information

Directors	J W S Jeffery C J Colton
Registered office	170 Edmund Street Birmingham England B3 2HB
Auditors	Rödl & Partner Limited 170 Edmund Street Birmingham B3 2HB

Pharmalex UK Services Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is the provision of advisory and consultancy services to the global life sciences industries, including regulatory affairs, development consulting & scientific affairs, pharmacovigilance, quality, medical devices, healthcare compliance and medical review & approval.

Fair review of the business

Despite the continued uncertainty of COVID 19, the pharmaceutical sector remains buoyant.

This year the UK group undertook the process of consolidating recent acquisitions, merging CompliMed Limited ("CompliMed"), PharmaLex UK CompliMed Holding Limited ("CompliMed Holding"), Regulis Consulting Limited ("Regulis") and PharmaLex UK Regulis Holding Limited ("Regulis Holding") with PharmaLex. Included in this year's results are a number of transactions specific to these mergers, including the write off of investments that both CompliMed Holding and Regulis Holding had in CompliMed and Regulis of £4,981,653 and the transferring of intercompany loans between both Regulis Holding and CompliMed Holding and PharmaLex UK Holding of £7,149,983. In addition to these mergers, PharmaLex UK Services purchased ERA Consulting Limited ("ERA") which has been serviced by an intercompany loan with PharmaLex GmbH for £867,847.

During the year turnover increased 48% to £13,778,803 (2020 - £7,114,791), partly as a result of the mergers in July 2021 but also due to strong organic growth in the UK of 36% on 2020. There was an operating loss in the year of £8,633,879, but if transactions relating to the merger mentioned above are eliminated then there would have been an operating profit of £3,497,757 which is an increase of 58% (2020 - £1,452,018). Again, this is partly as a result of the mergers, but strong organic growth resulted in an increase in operating profit of 53% on 2020. Gross profit decrease to 51% (2020 - 65%) as a direct result of lower margins in the merged part of the business.

As at 31 December 2021, the company had a drop in net current assets of £10,918,351 to negative £10,034,989 (2020 - £883,362). This is due to intercompany loans in the year of £12,327,207 following the mergers, the acquisition of ERA and the purchase of minority shareholdings in CompliMed Holding and Regulis Holding.

Principal risks and uncertainties

There are a number of financial risks associated with the company's activities and these include liquidity risk, foreign currency risk, credit risk and interest rate risk.

During the year it became apparent that the risk associated with COVID 19 and Brexit were negligible due to the nature of its business.

Liquidity Risk

One of the risks is not being able to convert current assets into cash. In mitigating this risk, Pharmalex holds cash and manages this through cashflow forecasts and budgets to ensure that it is able to settle payments when they are due.

Pharmalex UK Services Limited

Strategic Report for the Year Ended 31 December 2021

Foreign Currency Risk

PharmaLex faces most exposure in relation to Euros and US Dollars. PharmaLex and the group seek to reduce its foreign exchange exposure arising in various currencies through matching, as far as possible, receipts and payments in individual currencies.

Credit Risk

Pharmalex has a diverse portfolio of clients across a broad range of the pharma sector and does not place reliance on any one customer or sector in the market. The company also mitigates direct risk from clients through the use of a managed credit control function.

Interest Rate Risk

The company's only gearing is through intercompany loans and the risk relating to these loans is considered minimal. The interest rates on these loans are fixed in the intercompany loan agreements. The overall group is in a strong financial position and the directors understand that this support will be fully maintained.

Future developments

Early 2022 we will continue with the process of consolidating UK entities, with the mergers of ERA & PharmaLex UK Holding into PharmaLex.

The PharmaLex group has invested in the acquisition of a further relevant business in the UK, demonstrating its commitment to this market and the local potential for further synergistic growth.

PharmaLex does not anticipate any significant changes to its core business operations in the immediate future. The directors expect the company and the group to continue to operate in the existing service areas, expanding into further adjacent ones where appropriate.

The outlook for the next 12 months is positive.

Approved and authorised by the Board on 22/06/22 and signed on its behalf by:



.....
C J Colton
Director

Pharmalex UK Services Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Director of the company

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

J W S Jeffery

C J Colton

Results and dividends

The loss for the period, after taxation, amounted to £9,362,811 (2020: profit of £1,151,069). This loss was mainly due to the transfer of loans from related parties following a merger of these entities into Pharmalex UK Services Limited during the year. The loans are owed to Pharmalex GmbH, the ultimate controlling party of all entities included. The directors have obtained a written confirmation from Pharmalex GmbH stating that the debts shall not be called upon, except to the extent that the Company is able to discharge all its debts and liabilities as they fall due. Therefore, the directors have paid a dividend of £690,000 (2020: £1,625,000).

Going concern

The company has net liabilities of £9,080,664 in comparison to net assets of £972,147 in the prior year. The Company is a subsidiary undertaking of Pharmalex GmbH, a Company incorporated in Germany. Pharmalex UK Services Limited is dependent on the continuing financial support of Pharmalex GmbH to operate as a going concern and the directors have obtained written confirmation from the parent company that it will provide or procure such funds as are necessary to enable the company to settle all external liabilities as they fall due for at least a period of twelve months from the concern basis.

Disclosure of information to the auditors

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

Approved and authorised by the Board on 22/06/22 and signed on its behalf by:



.....
C J Colton
Director

Pharmalex UK Services Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Pharmalex UK Services Limited

Independent Auditor's Report to the Members of Pharmalex UK Services Limited

Opinion

We have audited the financial statements of Pharmalex UK Services Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account and Statement of Retained Earnings, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 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

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Pharmalex UK Services Limited

Independent Auditor's Report to the Members of Pharmalex UK Services Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 Statement of Directors' Responsibilities [set out on page 5], 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 Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Pharmalex UK Services Limited

Independent Auditor's Report to the Members of Pharmalex UK Services Limited

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Imran Farooq (Senior Statutory Auditor)
For and on behalf of Rödl & Partner Limited, Statutory Auditor

170 Edmund Street
Birmingham
B3 2HB

Date: 22nd June, 2022

Pharmalex UK Services Limited

**Profit and Loss Account and Statement of Retained Earnings for the Year Ended 31
December 2021**

	Note	2021 £	2020 £
Turnover	3	13,778,803	7,114,791
Cost of sales		<u>(6,771,594)</u>	<u>(2,482,497)</u>
Gross profit		7,007,209	4,632,294
Administrative expenses		<u>(15,641,088)</u>	<u>(3,180,276)</u>
Operating (loss)/profit	4	<u>(8,633,879)</u>	<u>1,452,018</u>
Other interest receivable and similar income	5	52	629
Interest payable and similar charges	6	<u>(289,816)</u>	<u>(8,894)</u>
		<u>(289,764)</u>	<u>(8,265)</u>
(Loss)/profit before tax		(8,923,643)	1,443,753
Taxation	10	<u>(439,168)</u>	<u>(292,684)</u>
(Loss)/profit for the financial year		(9,362,811)	1,151,069
Retained earnings brought forward		954,025	1,427,956
Dividends paid		<u>(690,000)</u>	<u>(1,625,000)</u>
Retained earnings carried forward		<u>(9,098,786)</u>	<u>954,025</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Pharmalex UK Services Limited
(Registration number: 03696586)
Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	11	86,478	93,114
Investments	12	<u>867,847</u>	<u>-</u>
		<u>954,325</u>	<u>93,114</u>
Current assets			
Debtors	13	3,774,654	1,237,797
Cash at bank and in hand		<u>454,999</u>	<u>440,710</u>
		4,229,653	1,678,507
Creditors: Amounts falling due within one year	15	<u>(14,264,642)</u>	<u>(795,145)</u>
Net current (liabilities)/assets		<u>(10,034,989)</u>	<u>883,362</u>
Total assets less current liabilities		(9,080,664)	976,476
Provisions for liabilities	16	<u>-</u>	<u>(4,329)</u>
Net (liabilities)/assets		<u>(9,080,664)</u>	<u>972,147</u>
Capital and reserves			
Called up share capital		200	200
Share premium reserve		17,922	17,922
Profit and loss account		<u>(9,098,786)</u>	<u>954,025</u>
Shareholders' (deficit)/funds		<u>(9,080,664)</u>	<u>972,147</u>

Approved and authorised by the Board on 22/06/22 and signed on its behalf by:



C J Colton
Director

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

170 Edmund Street
Birmingham
England
B3 2HB

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The presentation currency of these financial statements is Sterling. All amounts have been rounded to the nearest £1.

Basis of preparation

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

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) Disclosing transactions with related entities in accordance with FRS 102 paragraph 33;
- (ii) Cash flow statement and related notes; and
- (iii) Preparation of group accounts under Section 401.

The information is included in the consolidated financial statements of PharmaLex GmbH as at 31 December 2021, which are available to the public and may be obtained in Germany.

Going concern

At 31 December 2021 the company has net current liabilities amounting to £9,080,664 (2020: net current assets of £976,476) due to obtaining a loan from the company's group parent undertaking, Pharmalex GmbH, that was used to merge various group entities into the Company. These financial statements have been prepared on a going concern basis.

In determining the going concern of the company the director has reviewed the company's current and forecast profitability, performed stress testing over the forecasts and included the impact of the COVID-19 pandemic and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

In addition, Pharmalex GmbH has provided a letter of support to confirm their intention to provide support for the company for at least 12 months from the date of signing the financial statements.

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Revenue recognition

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

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Foreign currency transactions and balances

Transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit and loss in the period in which they arise.

Tax

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

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

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

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

Depreciation

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

Asset class	Depreciation method and rate
Fixture and fittings	3-5 years straight line
Leasehold improvements	3-5 years straight line
Computer equipment	3 years straight line

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

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

Trade debtors

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

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

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

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Provisions

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

Leases

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

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

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

Financial instruments

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

3 Revenue

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

	2021	2020
	£	£
Rendering of services	<u>13,778,803</u>	<u>7,114,791</u>

4 Operating (loss)/profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation expense	<u>69,798</u>	<u>53,137</u>

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

5 Other interest receivable and similar income

	2021	2020
	£	£
Interest income on bank deposits	52	-
Other finance income	-	629
	<u>52</u>	<u>629</u>

6 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	270,187	-
Foreign exchange losses	19,629	8,894
	<u>289,816</u>	<u>8,894</u>

7 Staff costs

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

	2021	2020
	£	£
Wages and salaries	4,456,922	2,719,641
Social security costs	534,455	319,258
Pension costs, defined contribution scheme	303,088	192,189
	<u>5,294,465</u>	<u>3,231,088</u>

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

	2021	2020
	No.	No.
Sales, marketing and distribution	<u>76</u>	<u>52</u>

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021	2020
	£	£
Remuneration	378,785	318,063
Contributions paid to money purchase schemes	21,640	20,321
	<u>400,425</u>	<u>338,384</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021	2020
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2021	2020
	£	£
Remuneration	213,452	186,466
Company contributions to money purchase pension schemes	<u>13,369</u>	<u>12,592</u>

9 Auditors' remuneration

	2021	2020
	£	£
Audit of the financial statements	<u>20,000</u>	<u>14,209</u>
Other fees to auditors		
Taxation compliance services	4,000	2,500
All other non-audit services	<u>11,095</u>	<u>-</u>
	<u>15,095</u>	<u>2,500</u>

10 Taxation

Tax charged/(credited) in the income statement

	2021	2020
	£	£
Current taxation		
UK corporation tax	450,991	298,918
Deferred taxation		
Arising from origination and reversal of timing differences	<u>(11,823)</u>	<u>(6,234)</u>
Tax expense in the income statement	<u>439,168</u>	<u>292,684</u>

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
(Loss)/profit before tax	<u>(8,923,643)</u>	<u>1,443,753</u>
Corporation tax at standard rate	(1,695,492)	274,313
Effect of revenues exempt from taxation	(153,309)	-
Effect of expense not deductible in determining taxable profit (tax loss)	2,308,323	21,955
Deferred tax (credit)/expense relating to changes in tax rates or laws	(1,399)	1,243
Decrease in UK and foreign current tax from adjustment for prior periods	-	(484)
Tax (decrease)/increase from effect of capital allowances and depreciation	(1,039)	475
Tax decrease arising from group relief	(33,146)	(4,779)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>15,230</u>	<u>(39)</u>
Total tax charge	<u>439,168</u>	<u>292,684</u>

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. Therefore, the 19% rate has been used to calculate the deferred tax liability as at 31 December 2020. An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 31 December 2021 was calculated based on this rate.

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11 Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2021	65,000	42,280	150,764	258,044
Additions	654	3,559	58,949	63,162
At 31 December 2021	65,654	45,839	209,713	321,206
Depreciation				
At 1 January 2021	35,401	24,066	105,463	164,930
Charge for the year	12,996	8,000	48,802	69,798
At 31 December 2021	48,397	32,066	154,265	234,728
Carrying amount				
At 31 December 2021	17,257	13,773	55,448	86,478
At 31 December 2020	29,599	18,214	45,301	93,114

12 Investments

	2021 £	2020 £
Investments in subsidiaries	867,847	-
Subsidiaries		£
Cost or valuation		
Additions		867,847
Provision		
Carrying amount		
At 31 December 2021		867,847

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Details of undertakings

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

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
ERA Consulting (UK) Limited	C/O Rodl & Partner Legal Ltd 170 Edmund Street, Ground Floor, Birmingham, B3 2HB United Kingdom	Ordinary shares	100%	0%

Subsidiary undertakings

ERA Consulting (UK) Limited

The principal activity of ERA Consulting (UK) Limited is that of pharmaceutical consultancy.

13 Debtors

	Note	2021 £	2020 £
Trade debtors		2,766,926	710,572
Amounts owed by related parties		585,901	422,016
Prepayments		162,346	84,776
Accrued income		157,647	9,133
Deferred tax asset	10	5,831	-
Corporation tax asset	10	96,003	11,300
		<u>3,774,654</u>	<u>1,237,797</u>

14 Cash and cash equivalents

	2021 £	2020 £
Cash on hand	2,881	2,376
Cash at bank	<u>452,118</u>	<u>438,334</u>
	<u>454,999</u>	<u>440,710</u>

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans from group undertakings	19	12,327,207	-
Trade creditors		222,486	87,694
Amounts due to related parties		594,180	296,831
Social security and other taxes		379,791	122,952
Other payables		51,052	29,924
Accruals		548,660	214,661
Deferred income		141,266	43,083
		<u>14,264,642</u>	<u>795,145</u>

16 Provisions for liabilities

	Deferred tax £	Total £
At 1 January 2021	4,329	4,329
Increase (decrease) in existing provisions	<u>(4,329)</u>	<u>(4,329)</u>
At 31 December 2021	<u>-</u>	<u>-</u>

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £303,087 (2020 - £192,189).

18 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

Pharmalex UK Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Loans from group undertakings	<u>12,327,207</u>	<u>-</u>

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	154,320	73,270
Later than one year and not later than five years	492,416	365,000
Later than five years	<u>456,250</u>	<u>456,250</u>
	<u>1,102,986</u>	<u>894,520</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £121,944 (2020 - £95,110).

21 Dividends

	2021 £	2020 £
Final dividend of £3,450 (2020 - £8,125) per ordinary share	<u>690,000</u>	<u>1,625,000</u>

22 Parent and ultimate parent undertaking

The smallest and largest group in which the results of the Company are consolidated is that headed by the ultimate controlling party, Pharmalex GmbH, a company registered in Germany. The consolidated financial statements are available upon request from handelregister.de.

The company's immediate parent is Pharmalex UK Holding Limited, incorporated in United Kingdom.