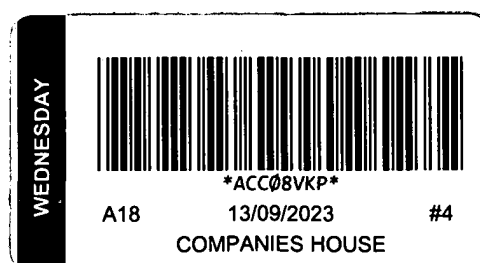


PHARMARON BIOLOGICS (UK) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



PHARMARON BIOLOGICS (UK) LTD

COMPANY INFORMATION

Directors	Stephen Lewinton Dr Boliang Lou
Company secretary	Stephen Lewinton
Registered number	04543737
Registered office	12 Estuary Banks Speke Liverpool L24 8RB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	HSBC Bank Plc PO Box 125 2nd Floor 62-76 Park Street London SE1 9DZ
Solicitors	Walker Morris LLP 33 Wellington Street Leeds West Yorkshire LS1 4DL

PHARMARON BIOLOGICS (UK) LTD

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PHARMARON BIOLOGICS (UK) LTD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their Strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is the contract research and development of advanced therapeutic products and vaccines through the application of analytical and manufacturing process solutions.

Review of the business

2022 marks the first full year of ownership of the Company by Pharmaron Biologics (UK) Holdings Limited, which is itself a wholly owned subsidiary of Pharmaron Beijing Co., Ltd. During this period the Company has completed its transition from in-house product research and development (R&D) to become a fully service-based business. The Company has however continued to develop the internal technology platforms necessary to provide services for advanced therapeutic products, particularly in the areas of cell and gene therapy (CGT) such as plasmid DNA and Adeno Associated Virus, plus viral vaccines.

The Company has worked on 29 gene therapy and vaccine projects for 12 different customers during 2022 and won major contracts towards the end of the reporting period which will drive the business forward in 2023. Employee numbers grew from 151 as at December 2021 to 180 by December 2022. The majority of this increase was due to the transfer of existing contingent workers to become Pharmaron employees.

The Company continued to make significant investment in capital assets during 2022 to replace obsolete systems and develop in innovative technologies to remain competitive in the marketplace and comply with UK and global regulatory standards.

The Company's loss for the financial year 2022 is £3,514,000 (2021: Loss £17,494,000). In 2022, an R&D agreement was established with other Pharmaron Group entities, facilitating the recharge of internal innovation project related expenditure plus R&D uplift to the appropriate R&D project intellectual property holders within the Pharmaron Group. This is shown within turnover in 2022 of £16,869,080 (2021: £10,016,654 represented the recharge of projects related expenditure plus R&D uplift to the appropriate R&D project intellectual property holders within the AbbVie Group and was shown within turnover in 2021). Since the acquisition by Pharmaron Beijing Co., Ltd., the Company's total turnover is £18,566,140.

From the date of preparation to signing, the directors are unaware of any impacts that would constitute an adjusting post balance sheet event.

Net assets at 31 December 2022 totalled £49,093,000 (2021: net assets £26,087,000).

Structure of business and future developments

The Company is a fully owned subsidiary of Pharmaron Biologics (UK) Holdings Limited, which is itself a wholly owned subsidiary of Pharmaron Beijing Co., Ltd. Pharmaron Beijing Co., Ltd. was incorporated and registered in the People's Republic of China ("PRC") on 1 July 2004. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 300759.SZ) on 28 January 2019. On 28 November 2019, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE") (stock code: 3759.HK). The address of the registered office is 8th Floor, Block 1, 6 Taihe Road, Beijing Economic Technological Development Area, Beijing, China.

PHARMARON BIOLOGICS (UK) LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Pharmaron Beijing Co., Ltd. is a leading fully integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for its customers. The principal activity of Pharmaron Beijing Co., Ltd. and its subsidiaries (together, the "Group") is to provide contract research, development, and manufacturing services for innovative pharmaceutical products throughout the research and development cycle and the services are organised in four major categories: laboratory services, chemistry, manufacturing and controls ("CMC") (small molecule CDMO) services, clinical development services and biologics and CGT services. Pharmaron operates of 20 locations in China (9), the USA (6) and UK (5).

Pharmaron's total revenue in 2022 was RMB 10,266.3M (£1.189 Bn) a 37.9% increase on 2021. The average CAGR between 2018 and 2022 is 37.1%. In 2022 gross profit increased by 40.3% to RMB 3,749 M (£436 M). North America accounted for the major share of revenues by territory at 64.7%

During 2022 Pharmaron grew to 19,400 employees, counted all top 20 global Pharma amongst its customer base and served over 2000 customers in total – 800 of these for the first time.

Pharmaron's strategy is to continue to pursue rapid growth, building and improving our "end to end, fully integrated and global" pharmaceutical R&D service platform, by:

- Continuing to strengthen the fully integrated clinical development services platform
- Strengthen the leading position in the small molecule R&D service area
- Continue accelerating the build up of biologics and CGT services platform
- Continuing to strengthen our talent pool to support our long term, sustainable growth
- Further enhancing our management capabilities

Pharmaron Beijing Co., Ltd. Biologics and CGT services

The Biologics and CGT Services business segment encompasses biologics discovery, recombinant protein product development and manufacturing services (Biologics Contract Manufacturing and Development Organisation – CDMO), CGT lab services and Gene Therapy CDMO services. During 2022 revenues from the division grew from RMB 151M (£17.6M) to 195M RMB (£22.7M). Gross profit fell from RMB -20.9M (£-2.43 M) in 2021 to -54.1M (£-6.29 M) in 2022. The business is investing in building a world class Biologics and CGT offering and employee numbers grew by 149 to 490 during the period. 86.5% of 2022 biologics and CGT customers were based in North America.

Recombinant protein process development and manufacturing capacity is located in Ningbo, China. Biologics discovery is in Beijing and an end to end CGT service offering includes bioanalytical and pre-clinical laboratory services operated from 3 sites in the US, and plasmid and viral process development, manufacturing and analytics based in Liverpool, UK (GT CDMO).

Pharmaron Biologics (UK) Ltd, CGT CDMO.

Gene therapy CDMO services from the Liverpool, UK facility include plasmid DNA manufacture using E.coli, mammalian cell line development, mammalian and microbial cell bank establishment, plasmid and mammalian cell based process development, formulation process development, manufacturing of drug substance for non-clinical and clinical use, analytical method development and validation, product-related impurities identification and analysis, stability evaluation, product analysis and GMP batch release for drug substance and product. The business has a strong technical competency in all stages of clinical development, including late stage process characterisation and process validation, and employs state of the art proprietary technologies and process know-how. Services cover the entire gene therapy CDMO process, to support the needs for pre-clinical safety evaluation, Phase I, II and III clinical trials, and post-marketing product life cycle management. The facility is licensed by MHRA, the UK pharmaceutical administration authority, for the manufacture of biologics and CGT products. The UK MHRA has a Mutual Recognition Agreement (MRA) in force with the US Food and Drug Administration (FDA) which facilitates winning customer projects from USA based businesses.

PHARMARON BIOLOGICS (UK) LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

As part of the mid and long-term growth strategy, Pharmaron Beijing Co., Ltd. continues to invest in building the capabilities and capacities of biologics and CGT. During 2021 the Liverpool team began work on the design of a major site expansion and subsequently gained planning permission in September 2022. Phase 1 will deliver a new stand-alone three story laboratory, office and commercial scale manufacturing footprint providing for 8,000 m2 on new space and will enable the business to work on 12 development projects in parallel – a four-fold increase of the current capacity – representing a capital investment of £90M. Phase 1 is due to be in beneficial use during 2025. Phase 2 will include the fit out of the manufacturing footprint using a modular build approach.

During 2022 the Company developed new technologies and services to enhance its customer offering. This included various proprietary plasmid cell banks and stocks, master cell banking of proprietary cell line for GMP manufacture of viral products, improvements to its technology platform / tool box for Adeno Associated Virus (AAV) production and new analytics such as photometry and NexGen sequencing offerings.

The business had 12 discrete customers in 2022 (6 US, 5UK, 1 EU), 8 of whom increased the scope of their projects by requesting additional services during the year. Plus a further 2 were in negotiation for further work at year end. 100% of customer milestones scheduled for 2022 were completed in 2022 with a >90% on time milestone completion.

Late in the year Vaccitech plc signed a contract for the development of a ChadOx based adenoviral vaccine/ immunotherapy and Complement Therapeutics for a full AAV based development program for the treatment of Geographic Atrophy. Other customer projects remain confidential.

Gene therapy/viral vector and DNA market continues to be a particular area of focus in the wider life sciences environment and the Company will continue to adapt and expand its facility in 2023 and beyond in order to enhance the capability for developing multiple viral products as well as increase the capacity to work on multiple projects and modalities.

COVID-19

Covid-19 has continued to have minimal direct impact on the business as we have continued to carry out research and development and progress with projects uninterrupted. A significant proportion of employees are working on-site, but more flexible working patterns are now in place. Covid-19 has however put pressure on the consumable products used by the business and so has significantly extended lead times for these products. This has been mitigated by advanced planning and purchase.

Principal and Financial Risks and Uncertainties

The Company's operations expose it to a variety of financial risks that include foreign exchange risk and interest rate risk.

Foreign Exchange Risk

The Company operates internationally, foreign exchange risk arises from transactions when goods and services are bought or sold in currencies other than sterling. Primarily with respect to the euro and US dollar. Foreign exchange risks arise from future commercial transactions denominated in a currency that is not the entity's functional currency.

Interest Rate Risk

All of the Company's funding is provided by the parent company and is not repayable. The Company therefore has no interest bearing debt and therefore no interest rate risk.

PHARMARON BIOLOGICS (UK) LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Non-financial risks

The majority of R&D activity relates to early stage process development and clinical manufacture to determine product safety and efficacy. Each new drug and vaccine candidate commencing development activities therefore carries significant risk of failure due to the inability to develop an efficacious and commercially viable product. While this risk is principally born by the drug developer, the Company's customer, an adverse outcome to a pre-clinical or clinical study means a likely discontinuation or delay to a planned program of work. Such an occurrence would negatively impact the capacity utilization (facility occupancy) and therefore revenues and makes forward resource planning more challenging. These risks are mitigated by recruiting and training flexible scientists who can support different areas of the drug development process and by having an a sales and marketing team integrated into the larger Pharmaron Group business to identify areas for cross selling any available capacity and having a diversified client base.

Business continuity risk

The business uses highly specialist facilities that are central to the delivery of services. Disaster recovery planning and risk management policies and procedures to minimise the business continuity risks.

Brexit

Company continues to monitor the impact of Brexit and works to mitigate them. The main impact relates to supply chain, in this instance the procurement, the Company has had a thorough review of all impacts in relation to import and export of goods and services to the EU and new processes have been developed and implemented. New trade rules have meant that the Company has adapted the way we work to ensure compliance. Based on current position there has been minimal impact.

From a broader perspective, Brexit means the UK is now outside of the European Medicines Agency region. This means that medicinal products with a UK only supply chain cannot be released into the EU.

Inflation

Inflation is 7.9% on 19th July 2023 according to Bank of England reports, whilst this will undoubtedly have an impact on costs for 2023 and 2024 the business plans were created to reflect a higher inflation rate and will not affect the overall strategy of the Company.

Key Performance Indicators ("KPIs")

The directors believe that analysis using general or non-financial key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business of Pharmaron Biologics (UK) Ltd at this time due to the early phase business development model. KPI's will be developed as the Company matures as a CDMO.

Section 172 statement - Directors duties

The directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006. As part of his on-going duties, the directors are aware of their duties and can access professional advice either from the Company Secretary or, if they judge it necessary, from an independent adviser.

It is important to recognise that in a large organisation such as ours, the directors fulfil their duties partly through a framework that delegates day-to-day decision-making to employees of the Company who are best placed to take such decisions. The directors receive regular updates from all key business areas at regular briefings.

The following paragraphs summarise how the directors have fulfilled their required duties:

PHARMARON BIOLOGICS (UK) LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Decision-making and risk management

An adverse outcome to a preclinical or clinical study means a likely discontinuation or delay to a planned program of work. Such an occurrence would negatively impact the capacity utilization (facility occupancy) and therefore revenues and makes forward resource planning more challenging. The risk is mitigated by negotiating appropriate cancellation fees in customer contracts.

Cutting edge technology is used and there is a risk that a 3rd Party claims their intellectual property is being violated by Pharmaron Biologics (UK) Ltd or the customer. The risk is mitigated by performing due diligence on Pharmaron Biologics (UK) Ltd technology (e.g., through a patent attorney) and the customers technology through negotiating contractual terms such as warranties and indemnities.

Employees

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. We communicate regularly with our employees as explained further in the Directors' report on page 7.

Other stakeholders

Our other key stakeholders are critical to the success of our business.

Our suppliers, outsourced services and employment agencies are also critical to the success of our business, and we value our relationships with all of them, having multi-year agreements in place with many of our key providers, maintaining regular communication and reporting with them.

Finally, our membership of Bio Industry Association allows us to have a voice amongst our industry peers and enable key communication with relevant government bodies.

Community and environment

The Company's approach is to use our position to change people's lives within the communities that we interact with. We achieve this by supporting local charities events near our Liverpool base through a combination of fund raising activities and staff donations.

Our impact on the environment is also an area that we consider as part of our responsibilities, for major capex projects an environmental assessment is done to consider the sustainability of the new equipment and its environmental impact. We always seek to reduce our carbon footprint wherever possible.

Business conduct

As directors, it is our responsibility to ensure that the Company is operating within the high standards of business conduct expected of a business of our size. To enable this, all employees are issued with the Code of Conduct outlining our expectations of them, as well as highlighting whistle-blowing pathways should they be required. Regular online training keeps employees informed of our various regulatory requirements. The Company also operates training and compliance to cover wider areas of health and safety and ensure compliance with MHRA regulations.

Shareholders

Dr Boliang Lou and Stephen Lewinton are directly responsible for the decision making for the business.

PHARMARON BIOLOGICS (UK) LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Members of the Company

Dr Boliang Lou and Stephen Lewinton as the directors intend to behave responsibly towards the members and treat them fairly and equally so that they continue to benefit from the success of the business.

This report was approved by the board on 7/9/2023 and signed on its behalf.

Stephen Lewinton

Stephen Lewinton
Director

PHARMARON BIOLOGICS (UK) LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is the contract research and development of advanced therapeutic products and vaccines through the application of analytical and manufacturing process solutions.

Business review and future developments

Please refer to the Strategic report on pages 1-5.

Political contributions

No political contributions were paid (2021: £Nil).

Dividends

The directors do not propose payment of a dividend for the year (2021: £Nil).

Directors

The directors who served during the year and after year end were:

Stephen Lewinton
Dr Boliang Lou

Directors' responsibilities statement

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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

PHARMARON BIOLOGICS (UK) LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

Employee statement

During the year employees are systematically provided with information on matters which concern them through regular local 'Town Hall' meetings, as well as opportunities for employees to communicate directly with members of the site leadership team. Communications are also provided more regularly through online platforms.

There are also regular benefits reviews and key employees are incentivised to participate in the success of the business through the Company's employee share schemes.

The Company has a strong culture of inclusiveness and ensures equal opportunities for all.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate. Forecasts prepared on the basis of the current costs model show that the Company will need financial support from its ultimate parent, Pharmaron Beijing Co., Ltd., whilst working to deliver the full business plan and establish itself within the Pharmaron Group. The directors have received a letter of support from Pharmaron Beijing Co., Ltd., for a period of 16 months from the date of approval of these financial statements in order to ensure that the Company can meet its obligations as they fall due.

Directors' indemnities

The Company maintained through the year, and at the date of approval of the financial statements, liability insurance for its directors and officer. This is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

Streamlined Energy and Carbon Reporting (SECR)

The following figures make up our baseline reporting for 2022.

Scope 1 consumptions and emissions relate to direct combustion of natural gas and fuels utilized for transportation operations, such as company cars and external transport.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

PHARMARON BIOLOGICS (UK) LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Energy Consumption	2022 kWh	2021 kWh
Aggregate Energy Consumption in the Year	<u>8,009,650</u>	<u>7,261,111</u>
	2022 Metric Tonnes	2021 Metric Tonnes
Emission of CO2 Equivalent		
Scope 1 Direct Emissions		
- Gas Combustion	<u>813</u>	<u>747</u>
	813	747
Scope 2 Indirect Emissions		
- Electricity Purchased	<u>0</u>	<u>0</u>
	0	0
Total Carbon Emissions	<u>813</u>	<u>747</u>
Intensity Ratio		
Tonnes of CO2 per employee	<u>4.49</u>	<u>5.41</u>

Quantification and Reporting Methodology

The preparation of the Streamlined Energy and Carbon Reporting (SECR) was developed using the methodology provided in the Greenhouse Gas Protocol – A corporate Accounting and Reporting Standard (Revised Edition) and use of the relevant UK Government GHG Conversion factors for Company Reporting for 2021 and 2022.

Intensity Measurement

The chosen intensity measurement is total gross emissions divided the total number of employees as at 31st December in the relevant year.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

PHARMARON BIOLOGICS (UK) LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the board on 7/9/2023 and signed on its behalf.

Stephen Lewinton

Stephen Lewinton
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHARMARON BIOLOGICS (UK) LTD

Opinion

We have audited the financial statements of Pharmaron Biologics (UK) Ltd (the 'Company') for the year ended 31 December 2022, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 2022 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.

Conclusions relating to going concern

We are responsible for concluding 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as the impact of cost inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHARMARON BIOLOGICS (UK) LTD (CONTINUED)

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are 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 other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHARMARON BIOLOGICS (UK) LTD
(CONTINUED)**

Matter on which we are required to report under the Companies Act 2006

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 or the Directors' report.

Matters on which we are required to report by exception

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHARMARON BIOLOGICS (UK) LTD
(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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates and determined which may influence the financial statements.
- We determined that the following laws and regulations are the most significant which are directly relevant to specific assertions in the financial statements:
 - Those that relate to reporting frameworks being FRS102 and the Companies Act 2006 and the relevant tax compliance regulations.
 - Those that relate to the operational activities of the Company in relation to the development of biopharmaceutical products being compliance with the Medicines and Healthcare Products Regulatory Agency requirements.
- We assessed the susceptibility of the Company's financial statements to material misstatements, including how fraud might occur. We performed the following audit procedures to address the risks related to irregularities and fraud:
 - Evaluation of the processes and controls in place to address the risks related to irregularities and fraud;
 - Challenge of the assumptions and judgements made by management in its significant accounting estimates;
 - Review and testing of journal entries, in particular manual journal entries, relating to management estimates and journal entries impacting the reported result for the year;
 - Consideration of the potential for fraud in revenue recognition;
 - Identifying and testing related party transactions.
- We enquired of management whether there was any awareness of instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of the Company's operations, the applicable statutory provisions and business risks that may result in risk of material misstatement, and the Company's control environment, including the adequacy of procedures for authorisation of transactions.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHARMARON BIOLOGICS (UK) LTD
(CONTINUED)**

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement team's experience with similar engagements, their understanding and knowledge of the Company's industry and their understanding of the industry and regulatory requirements were considered in assessing the appropriateness of the collective and capabilities of the engagement team.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Hitchmough UK LLP

Gareth Hitchmough
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
Date: 7/9/2023

PHARMARON BIOLOGICS (UK) LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	18,461	10,123
Cost of sales		(11,779)	(6,344)
Gross profit		6,682	3,779
Administrative expenses		(12,827)	(20,574)
Exceptional administrative expenses	11	-	(5,129)
Other operating income		1,559	1,844
Operating loss	6	(4,586)	(20,080)
Loss before tax		(4,586)	(20,080)
Tax on loss	10	1,072	2,586
Loss for the financial year		(3,514)	(17,494)

There was no other comprehensive income for 2022 (2021: £Nil).

The notes on pages 20 to 41 form part of these financial statements.

All amounts relate to continuing operations.

PHARMARON BIOLOGICS (UK) LTD
REGISTERED NUMBER:04543737

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	12	3,515	2,460
Tangible assets	13	18,713	16,899
		<u>22,228</u>	<u>19,359</u>
Current assets			
Stocks	14	2,203	723
Debtors: amounts falling due after more than one year	15	5,972	4,954
Debtors: amounts falling due within one year	15	22,044	3,820
Cash at bank and in hand	16	5,271	5,063
		<u>35,490</u>	<u>14,560</u>
Creditors: amounts falling due within one year	17	(5,758)	(4,556)
Net current assets		<u>29,732</u>	<u>10,004</u>
Total assets less current liabilities		<u>51,960</u>	<u>29,363</u>
Creditors: amounts falling due after more than one year	18	(394)	(453)
Provisions for liabilities			
Deferred tax	19	(2,473)	(2,823)
		<u>(2,473)</u>	<u>(2,823)</u>
Net assets		<u>49,093</u>	<u>26,087</u>
Capital and reserves			
Share capital	21	-	-
Capital contribution reserve	20	27,066	546
Profit and loss account	20	22,027	25,541
		<u>49,093</u>	<u>26,087</u>

PHARMARON BIOLOGICS (UK) LTD
REGISTERED NUMBER:04543737

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Stephen Lewinton

Stephen Lewinton
Director

7/9/2023

The notes on pages 20 to 41 form part of these financial statements.

PHARMARON BIOLOGICS (UK) LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	106,891	3,114	-	(66,152)	43,853
Comprehensive income for the year						
Loss for the year	-	-	-	-	(17,494)	(17,494)
Total comprehensive income for the year	-	-	-	-	(17,494)	(17,494)
RSU's & stock options	-	-	173	-	-	173
Shares vested	-	-	(991)	-	-	(991)
Transfer on modification of equity-settled share scheme	-	-	(2,296)	-	2,296	-
Capital contribution from ultimate parent undertaking	-	-	-	546	-	546
Transfer on share capital reduction	-	(106,891)	-	-	-	(106,891)
Transfer on share capital reduction	-	-	-	-	106,891	106,891
Total transactions with owners	-	(106,891)	(3,114)	546	109,187	(272)
At 1 January 2022	-	-	-	546	25,541	26,087
Comprehensive income for the year						
Loss for the year	-	-	-	-	(3,514)	(3,514)
Total comprehensive income for the year	-	-	-	-	(3,514)	(3,514)
Shares awards granted to directors and employee of the Company by ultimate parent undertaking	-	-	-	333	-	333
Capital contribution from ultimate parent undertaking	-	-	-	26,187	-	26,187
Total transactions with owners	-	-	-	26,520	-	26,520
At 31 December 2022	-	-	-	27,066	22,027	49,093

The notes on pages 20 to 41 form part of these financial statements.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Pharmaron Biologics (UK) Limited is a private company limited by shares, incorporated in England, United Kingdom. The address of its registered office and principal place of business is 12 Estuary Banks, Speke, Liverpool, England, L24 8RB.

The principal activity of the Company is the development of advanced therapeutic products and research and development of biopharmaceutical products.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pound (£000) except when otherwise stated.

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).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Pharmaron Beijing Co., Ltd. as at 31 December 2022 and these financial statements may be obtained from <https://ir.pharmaron.com>.

2.3 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate. Forecasts prepared on the basis of current costs model show that the Company will need financial support from its ultimate parent, Pharmaron Beijing Co., Ltd., whilst working to deliver the full business plan and establish itself within the Pharmaron Group. The directors have received a letter of support from Pharmaron Beijing Co., Ltd., for a period of 16 months from the date of approval of these financial statements in order to ensure that the Company can meet its obligations as they fall due.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.4 Foreign currency translation****Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Turnover

Turnover represents the value of the intellectual property provided in the development of projects recharged to other Group companies during the year. Turnover is generally recognised as the service is performed and expenditure incurred and is stated excluding value added tax.

2.6 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 2 to 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.8 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

2.9 Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Share based payments**Equity settled share-based payments**

The Group operate share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.10 Share based payments (continued)**

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Modifications

Equity settled share-based payments that have been modified during the year resulting in a change in their classification to cash settled share-based payments are accounted for as cash settled share-based payments from the date of the modification. The share-based payment reserve on the equity settled share-based payments that have been modified is derecognised and taken to the profit and loss reserve.

Cash settled share-based payments

Long term cash bonus awards granted to the Company employees to replace the restrictive share awards granted by the former ultimate parent company Allergan Plc, have been treated as cash settled share based payments. Long term cash bonus awards are grants that entitle the holder to a fixed cash bonus subject to certain conditions, vesting over a one to four year period. A liability for the plan is raised on the estimated amount payable on the long term bonus awards, which takes into account management's best estimate of the number of awards that are expected to vest. The associated charge is amortised over the applicable vesting period ending on the date on which the relevant employees become entitled to the award. The associated charge is amortised over the applicable vesting period ending on the date on which the relevant employees become entitled to the award.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.11 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and 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 Balance sheet date in the countries where the Company operates and generates income.

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

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. Amortisation for intangible fixed assets is charged on a straight-line basis.

Amortisation is provided on the following basis:

Development costs	4 years
Computer software	4 years

No amortisation is charged on intangible assets under development until they are complete and ready for their intended use.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The Company has reviewed the useful economic life of the tangible fixed assets and have aligned to be consistent with group companies as follows:

	2022	2021
Buildings	- 30 years	40 years
Plant and machinery	- 4 - 15 year	3 - 5 years
Land is not depreciated.		

The change in estimated useful life in 2022 contributed to a drop in the amount of depreciation from £4.6M (2021) to £2.4M (2022).

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or 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 in profit or loss.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use. The expected useful lives of the assets to the business are reassessed periodically in the light of experience. Repairs, maintenance and minor inspection cost are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposals proceeds and the carrying amount is recognised in the Statement of comprehensive income.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.17 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic life and residual value of assets. To ensure the efficient use of limited space in our facility the useful economic life and residual value of our assets is assessed annually. Values are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of assets. Items not required for current projects can be stored off site until required or until deemed obsolete and therefore disposed of. See note 13 for the carrying value of tangible fixed assets and accounting policies relating to the useful economic life of each class of asset.

(ii) Share-Based Payment

The Company's ultimate holding company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of the awards that will eventually vest. Fair value is measured by use of the Black-Scholes pricing model. Employer National Insurance (NI) contributions are recognised on outstanding share options at the prevailing enacted rate of NI.

The equity-settled share-based payment awards granted by the former ultimate parent company, Allergan Plc were cancelled in 2021 and reissued in the form of a cash-settled share-based payment award. The fair value of the cash-settled share-based payment award is determined at the Balance sheet date as the agreed bonus award that the employee will receive.

(iii) Research and Development Tax Credit

The RDEC provision is based on a best estimate based on the prior experience and any difference in the claim is reflected in the following years accounts.

(iv) Deferred tax asset

Management have reviewed the deferred tax asset of £5,972k in respect of losses and its recoverability in light of the expected future profitability of the Company following the acquisition by Pharmaron Beijing Co., Ltd. and the expansion plans as a result. They believe that the Company will achieve profitability in the medium term sufficient to allow the tax losses to be utilised and therefore it is appropriate to recognise the deferred tax asset.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies (continued)

(v) Intangible asset

In April 2022 the Company completed the initial development of the plasmid platform. The Company expects that future economic benefits will flow from the creation of this asset. The Company has recognised the directly attributable costs and a proportion of indirect costs (based on the number of hours employees have charged to the project) where these are also attributable to the development costs of the platform.

4. Turnover

Turnover comprises the invoice value of goods and services supplied exclusive of value added tax and may be analysed as follows:

	2022	2021
	£000	£000
Development	18,461	10,123

Analysis of turnover by country of destination:

	2022	2021
	£000	£000
Rest of the world	18,461	10,123

5. Other income

Other operating income comprises a Research and Development Expenditure Credit (RDEC) tax credit calculation, equating to 13% (2021: 13%) of qualifying R&D costs. RDEC is designed to increase the visibility and certainty of UK R&D tax relief and provide greater financial and cash flow support to companies with no corporation tax liability.

6. Operating loss

Operating loss is stated after charging:

	2022	2021
	£000	£000
Amortisation of intangible assets	679	-
Depreciation of tangible fixed assets	2,418	4,612
Operating lease rentals	146	134

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2022	<i>2021</i>
	£000	<i>£000</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	74	<i>64</i>

Fees payable to the Company's auditor and its associates in respect of:

Audit-related assurance services	7	<i>5</i>
Accounts production	13	<i>5</i>
	20	<i>10</i>

8. Employees

Staff costs were as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Wages and salaries	8,898	<i>7,049</i>
Social security costs	1,164	<i>1,252</i>
Severance costs	-	<i>1,697</i>
Other pension costs	1,179	<i>1,017</i>
Share based payments	1,378	<i>2,120</i>
	12,619	<i>13,135</i>

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Employees (continued)

The individuals that are considered by the Company to be key management personnel have received remuneration totalling £1,673,000 (2021: £3,742,000).

The average monthly number of employees, including the directors, during the year was as follows:

	2022	<i>2021</i>
	No.	<i>No.</i>
Consultancy, development and production	148	<i>121</i>
Administration	18	<i>17</i>
	<u>166</u>	<u><i>138</i></u>

9. Directors' remuneration

	2022	<i>2021</i>
	£000	<i>£000</i>
Aggregate remuneration (excluding pension contributions)	-	<i>707</i>
Restrictive share awards vesting	-	<i>721</i>
Compensation for loss of office	-	<i>821</i>
	<u>-</u>	<u><i>2,249</i></u>

For the year ended 31 December 2021, the highest paid director received remuneration of £1,528,000. *There is no directors' remuneration for the year ended 31 December 2022.*

During the year no director accrued benefits to money purchase arrangements (2021: 1).

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation

	2022	2021
	£000	£000
Corporation tax		
Adjustments in respect of previous periods	-	(405)
Total current tax	<u>-</u>	<u>(405)</u>
Deferred tax		
Origination and reversal of timing differences	(983)	(3,303)
Adjustments in respect of prior years	(89)	583
Effects of changes in tax rates	-	539
Total deferred tax	<u>(1,072)</u>	<u>(2,181)</u>
Taxation on loss on ordinary activities	<u>(1,072)</u>	<u>(2,586)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: *lower than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	2021
	£000	£000
Loss on ordinary activities before tax	<u>(4,586)</u>	<u>(20,080)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(871)	(3,694)
Effects of:		
Expenses not chargeable to tax	124	1,183
Adjustments in respect of prior years	(89)	178
Tax rate changes	-	539
Difference between deferred and current tax rates	(236)	(792)
Total tax charge for the year	<u>(1,072)</u>	<u>(2,586)</u>

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation (continued)

As at 31 December 2022 there is a recognised deferred tax asset of £3,993,000 relating to tax losses carried forward (2021: £3,349,000). Based on the Company's profit forecasts, the directors are confident that the losses will be utilised through future taxable profits in the foreseeable future. As such, the directors consider it appropriate to recognise the deferred tax asset in these financial statements.

In addition, the UK Budget announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the Balance sheet date and therefore deferred tax at the Balance sheet date has been measured at 25%.

11. Exceptional items

	2022	2021
	£000	£000
Impairment provision of assets under construction	-	1,799
Professional fees incurred on change of ownership	-	3,330
	<u>-</u>	<u>5,129</u>

Following an assessment of the costs incurred in respect of a proposed development to the Company's premises, the directors have concluded that, due to changes in the proposed scheme, the expenditure to 31 December 2022 no longer has any value to the Company. As a result, an impairment provision has been made in these financial statements.

The professional fees reflect legal and professional fees that the Company has incurred as a result of the change in ownership to Pharmaron Beijing Co., Ltd.

PHARMARON BIOLOGICS (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Intangible assets

	Development costs £000	Computer software £000	Total £000
Cost			
At 1 January 2022	2,460	-	2,460
Transfers from tangible fixed assets	-	616	616
Additions	1,212	-	1,212
At 31 December 2022	<u>3,672</u>	<u>616</u>	<u>4,288</u>
Amortisation			
At 1 January 2022	-	-	-
Transfers from tangible fixed assets	-	94	94
Charge in the year	612	67	679
At 31 December 2022	<u>612</u>	<u>161</u>	<u>773</u>
Net book value			
At 31 December 2022	<u>3,060</u>	<u>455</u>	<u>3,515</u>
At 31 December 2021	<u>2,460</u>	<u>-</u>	<u>2,460</u>

The development costs are under construction at the year end.

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13. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Assets under construction (CIP) £000	Total £000
Cost or valuation				
At 1 January 2022	7,355	41,084	3,132	51,571
Additions	-	-	4,754	4,754
Write off	-	-	(1,799)	(1,799)
Transfers	-	2,414	(3,030)	(616)
At 31 December 2022	7,355	43,498	3,057	53,910
Depreciation				
At 1 January 2022	1,662	31,211	1,799	34,672
Depreciation charge for the year	160	2,258	-	2,418
Write off	-	-	(1,799)	(1,799)
Transfers	-	(94)	-	(94)
At 31 December 2022	1,822	33,375	-	35,197
Net book value				
At 31 December 2022	5,533	10,123	3,057	18,713
At 31 December 2021	5,693	9,873	1,333	16,899

There are no securities held against capital assets.

The net book value of land and buildings may be further analysed as follows:

	2022 £000	2021 £000
Long leasehold	5,533	5,693

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14. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	2,203	723

The value of stocks in the Balance sheet is not materially different from the replacement cost.

An impairment loss of £156,194 (2021: £88,678) was recognised in cost of sales against stock during the year due to obsolete stock.

15. Debtors

	2022	2021
	£000	£000
Due after more than one year		
Deferred tax asset (note 19)	5,972	4,954
Due within one year		
Trade debtors	1,033	86
Amounts owed by group undertakings	16,869	-
RDEC	2,757	2,916
Other debtors	435	196
Prepayments and accrued income	950	622
	22,044	3,820

Amounts owed by Group undertakings' reflect intercompany balances falling due within one year, that do not accrue interest. These amounts are unsecured and repayable on demand.

The deferred tax asset has been classified as being due after more than one year following an assessment of when the asset is expected to be utilised.

16. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	5,271	5,063

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17. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	1,404	645
Amounts owed to group undertakings	84	14
Other taxation and social security	293	240
Other creditors	794	948
Accruals and deferred income	3,183	2,709
	5,758	4,556

Amounts owed to Group undertakings' reflect intercompany balances falling due within one year and do not accrue interest. These amounts are unsecured and repayable on demand.

Other creditors represent the liability arising in respect of the cash settled share-based payments as set out in note 22.

18. Creditors: Amounts falling due after more than one year

	2022	2021
	£000	£000
Other creditors	394	453

Other creditors represent the liability arising in respect of the cash settled share-based payments as set out in note 22.

19. Deferred taxation

	2022	2021
	£000	£000
Deferred tax liability		
At beginning of year	(2,823)	(2,406)
Credited/(charged) to profit or loss	350	(417)
At end of year	(2,473)	(2,823)

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19. Deferred taxation (continued)

	2022	2021
	£000	£000
Deferred tax asset		
At beginning of year	4,954	1,710
Charged to profit and loss	722	2,598
Transfer from RDEC receivable	296	646
At end of year	5,972	4,954

The provision for deferred taxation is made up as follows:

	2022	2021
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	(2,473)	(2,823)
RDEC	1,878	1,581
Timing difference arising on provision for RSU's and stock options	101	24
Losses	3,993	3,349
	3,499	2,131

20. Reserves**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Share based payment reserve

This reserve records the fair value of equity-settled share-based payments recognised less the shares that have vested during the year.

Capital contribution reserve

This reserve represents capital contributions made by Pharmaron Beijing Co., Ltd.

Profit and loss account

Includes all current and prior period retained profits and losses.

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21. Share capital

Authorised

1,000 (2021: 1,000) Ordinary shares of £1 each

Allotted, called up and fully paid

1 (2021: 1) Ordinary shares of £1 each

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

On 25 January 2021 the share capital of the Company was reduced by £106,891,104 by cancelling and extinguishing 4 ordinary shares of £1 each and 100 A Ordinary shares of £1 each and cancelling the share premium account of the Company. In addition, 2 shares from 9th October 2018 which were allotted to AGN Sundry LLC were issued shortly before the capital reduction and then cancelled on 25 January 2021.

22. Share-based payments

Equity settled share-based payments

The First H Share Award and Trust Scheme

Pharmaron Beijing Co., Ltd. ("Pharmaron") adopted a H share award and trust scheme (the "H Share Scheme"), comprised of the Employee Share Award Plan (the "ESAP") and the Share Bonus Plan, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The H Share Scheme was approved in the 2020 third extraordinary general meeting ("EGM") of Pharmaron on December 11, 2020 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

On May 31, 2022, the management committee of the H Share Scheme resolved to grant awards of a total of 207,800 H Shares to 24 eligible employees in Pharmaron Biologics (UK) Ltd. All of the relevant granted H Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

The fair value of the award shares under the H Share Scheme as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

ESAP granted on May 31, 2022

Grant date H share price (HKD)	62.75
Expected volatility in the black-out period	62.58%
Expected life (years)	0.42-3.42
Risk-free interest rate	0.53%

For the year ended December 31, 2022, the Company has recorded share-based compensation expenses of GBP £332,156 in relation to the H Share Scheme.

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22. Share based payments (continued)**Cash settled share-based payments**

On 1 May 2021, all outstanding restrictive share awards and share options were modified, resulting in them being replaced by a cash award, the long term cash bonus award. This award is payable to the employees at a fixed amount, based on the average share price of AbbVie Inc. at the date of the award, on the date the original restrictive share awards and share options would have vested. Payment to the employee is subject to the employee's continued employment with the Company.

The Company accounts for the long term cash bonus award as a cash settled share-based payment scheme under the fair value recognition and measurement provisions under FRS102. The Company's share based compensation cost is measured at the grant date, based on the fair value of the award, and is recognised as an expense over the requisite service period. The fair value of the award is remeasured at each Balance sheet date. As awards are linked to service, no expense is recognised for unvested shares relating to employees who have since left the Company.

The Company recognised total expenses of £332,156 and £719,869 related to equity-settled share-based payment transactions (including restricted stock units) in 2022 and 2021 respectively.

For cash settled share-based payments, the total expenses recognised during the year and the carrying amount of the liabilities at 31 December 2022 is £1,045,374 (2021: £1,400,320) and £1,188,046 (2021: £1,400,320) respectively.

A reconciliation of share option movements over the year to 31 December 2022 is shown below:

Equity settled share-based payments

	<i>Number 2021</i>	<i>Weighted average exercise price (pence) 2021 £</i>
Outstanding at the beginning of year	72,192	111.31
Granted during the year	11,824	87.91
Forfeited during the year	(7,115)	87.91
Exercised during the year	(21,966)	88.86
Cancelled during the year	(6,827)	103.03
Modified during the year	(48,108)	103.03
Outstanding at the end of year	-	-

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22. Share based payments (continued)

Cash settled share-based payments

		Weighted average exercise price (pence) 2022		<i>Weighted average exercise price (pence) 2021</i>
	Number 2022	£	<i>Number 2021</i>	£
Outstanding at the beginning of year	34,008	78.53	-	-
Granted during the year	-	-	34,341	78.53
Forfeited during the year	-	-	333	78.53
Exercisable during the year	(14,073)	78.53	-	-
Outstanding at the end of year	<u>19,935</u>	<u>78.53</u>	<u>34,008</u>	<u>78.53</u>

23. Pension commitments

The Company operates a defined contribution pension scheme. During the year the Company made contributions of £1,179,475 (2021: £1,017,419) to the scheme. At the year end the outstanding contributions to be paid over were £2,062 (2021: £94,624) and have been included within other creditors.

24. Capital and other commitments

At 31 December 2022 the Company had committed £3,256,233 in respect of future capital expenditure not provided in the financial statements (2021: £691,915).

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25. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	<i>2021</i>
	£000	<i>£000</i>
Not later than 1 year	203	<i>176</i>
Later than 1 year and not later than 5 years	254	<i>453</i>
	457	<i>629</i>

Lease payments expensed to the Statement of comprehensive income in 2022 were £146,382 (2021: £133,758).

26. Related party transactions

The Company has taken advantage of the exemption under paragraph 33.1A of FRS102, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Pharmaron Beijing Co., Ltd. whose financial statements are publicly available.

27. Controlling party

The Company was a wholly owned subsidiary of AGN Sundry LLC from 01 January 2021 to 30 April 2021, which is in turn a wholly owned subsidiary of Allergan Sales LLC, the ultimate parent company is AbbVie Inc., a company incorporated in the US. Copies of AbbVie Inc. consolidated financial statements are publicly available by accessing the AbbVie Inc's website at www.abbvie.com.

On 30 April 2021, the entire share capital of the Company was purchased by Pharmaron Biologics (UK) Holdings Limited and the ultimate parent undertaking from this date became Pharmaron Beijing Co., Ltd. Pharmaron Beijing Co., Ltd. is the smallest and largest group undertaking for which consolidated financial statements are prepared.

Pharmaron Beijing Co., Ltd. is incorporated in China. Copies of Pharmaron Beijing Co., Ltd. consolidated financial statements are publicly available by accessing the company's website at <https://ir.pharmaron.com>.