Registered number: 04543737

Pharmaron Biologics (UK) Ltd (formerly known as Allergan Biologics Limited)

Annual report and financial statements for the year ended 31 December 2020

Pharmaron Biologics (UK) Ltd

Annual report and financial statements for the year ended 31 December 2020

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Director and advisors

Directors
Dr Boliang Lou (appointed 30 April 2021)
Dr Crawford Brown (resigned 30 April 2021)

Secretary

Stephen Lewinton (appointed 30 April 2021)
Patricia Haran (resigned 30 April 2021)

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Strategic report for the year ended 31 December 2020

The Director presents his Strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is the development of biopharmaceutical products.

Review of business

On 30th April 2021, the deal to divest the Company was completed and the entire share capital of the Company was purchased by Pharmaron Biologics (UK) Holdings Limited, which is itself a wholly owned subsidiary of Pharmaron Beijing Co., Ltd.

The Company was a wholly owned subsidiary of AbbVie Inc. at 31 December 2020. Following announcement by the parent Company of its intent to divest the business whilst continuing to engage in research and development to develop biopharmaceutical products, the business also began to prepare for the transition over to Pharmaron on close of the divestment. Allergan PLC would retain all ongoing projects and therefore the project teams worked on knowledge transfer and closure of projects where applicable. The business has continued to develop internal platforms for advanced therapeutic products that continued to reflect the strategic direction from the AbbVie Inc.,.

During 2020 the Company has continued to engage in research and development to develop biopharmaceutical products in accordance with the Company strategy to strengthen the Allergan PLC biological product pipeline. The Company focused on the development of multiple early stage projects, alongside involvement with later stage biologics projects developed collaboratively with other AbbVie sites.

The progress of the Retrosense project and the development of the AAV2 platform process required continued planning for site modifications and equipment purchases. The development difficulties of this complex project took the team in a new direction which was continued to be refined during the year.

Editas and Tropelatsin projects which were brought to site requiring additional resource, continued to be developed in 2020 in close collaboration with our wider corporate team. They were bolstered by the internal development of an internal platform and increased the know how in relation to advanced therapeutic areas.

The Company continued to invest in capital assets during 2020 with £1.66m invested in equipment to increase the automation of laboratory activity and to ensure that latest technologies are being utilised.

From the date of preparation to signing, the Director is unaware of any impacts that would constitute an adjusting post balance sheet event. The Covid-19 pandemic has severely impacted many local economies around the globe. The Company has determined that this event is a non-adjusting post balance sheet event. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect the impact. The Company is unable to make a reasonable estimate of the financial impact of the non-adjusting event.

The Company's profit for the financial year 2020 is £9,613,000 (2019: £3,681,000). In January 2016, R&D agreements were established with other AbbVie entities, facilitating the recharge of project related expenditure plus R&D uplift to the appropriate R&D project intellectual property holders within the AbbVie. This is shown as turnover of £37,544,000 (2019: £40,650,000).

Net assets at 31 December 2020 totalled £43,853,000 (2019: net assets £34,195,000).

Future developments

The Company has been acquired by Pharmaron.

Pharmaron offers a fully integrated R&D service platform with global operations, since its inception Pharmaron has evolved from a pure chemistry provider through drug discovery to a fully integrated contract research, development and manufacturing organisation providing services across scientific disciplines covering the entire spectrum of drug discovery and development. In addition, leveraging its comprehensive service offerings provides integrated customised solutions to pharmaceutical and biotech companies throughout the entire pharmaceutical R&D process. Whilst they specialise in the discovery and development of small molecule innovative drugs, they intend to leverage that knowledge to diversify their service offerings in the discovery and early stage development of innovative biologic drugs. Pharmaron successfully acquired Allergan Biologics Limited, successfully completing the deal on the 30th April 2021

Strategic report for the year ended 31 December 2020 (continued)

Future developments (continued)

This transaction will be highly synergistic to Pharmaron's recent acquisition of Absorption Systems in the US for building an integrated CGT services platform. This integrated platform, which offers preclinical research, product development, and commercial manufacturing services for CGT products, provides unparalleled value proposition to our partners in this rapidly growing field of innovative therapies.

Gene therapy/viral biological product 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 2021 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 has continued to have minimal impact on the business as we have continued to carry out research and development and progress with projects uninterrupted. The working pattern has led to more employees working at home, where they have been able too. The principle challenge had been securing an appropriate level of PPE which we have successfully navigated. Covid and the demand for some disposable materials with the life sciences landscape has led to a shortage of materials but this impact has been mitigated wherever possible using advance orders. We continue to focus on the safety of our staff and will do so as long as is required and necessary.

Strategic report for the year ended 31 December 2020 (continued)

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

Foreign exchange risk arises from transactions when goods and services are bought or sold in currencies other than Sterling. Exchange rate risk is minimised by routing significant foreign currency transactions through Group Treasury arrangements.

Interest Rate Risk

All of the Company's funding is provided by the Research and Development agreements and no interest bearing loans or other financial instruments are in use.

Non-financial risks

The majority of R&D activity relates to early stage process development, carrying significant risk of failure due to the inability to develop an efficacious and commercially viable product. This risk is mitigated by recruiting highly skilled staff and investing in training and development as well as automating processes as much as possible. There is an inherent risk that products developed will not gain regulatory approval to enable them to progress to market. This risk is mitigated by undertaking significant levels of validation activity and engaging with regulatory bodies at an early stage.

Brexit

It is difficult to plan for the ongoing impact of Brexit as there are still many unknowns. The Company continues to monitor the impact 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.

Key Performance Indicators ("KPIs")

The Director believes that analysis using 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.

Strategic report for the year ended 31 December 2020 (continued)

Post balance sheet events

On 25th 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. On 30th April 2021, the entire share capital of the Company was purchased by Pharmaron Biologics (UK) Holdings Limited, which is itself a wholly owned subsidiary of Pharmaron Beijing Co., Ltd. In addition, 2 shares from 9th October 2018 which were allotted to AGN Sundry LLC where issued shortly before the capital reduction.

The Covid-19 pandemic continues to severely impact many local economies around the globe. The impact on the Company arising from the pandemic continues to be considered by the Directors. There are no adjusting or non-adjusting events which have come to light at this current time.

The LTI shares reward program operated by Allergan PLC has ended with the intention of Pharmaron to replace with its own share based rewards program. All existing granted shares have been converted to cash payment to be paid over the same period as the original share vesting. This was based on the average exchange rate and the average share price of Abbvie, Inc two days before 30th April 2021 and for the proceeding 30 days from that date.

Section 172 statement - Directors duties

The Director 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 Director is aware of his duties and can access professional advice either from the Company Secretary or, if he judges it necessary, from an independent adviser.

It is important to recognise that in a large organisation such as ours, the Director fulfils his 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 Director receives regular updates from all key business areas at regular briefings.

The following paragraphs summarise how the Director has fulfilled his required duties:

Decision-making and risk management

Our purpose is to research and develop innovative advanced therapeutic products on behalf of our assigned parent. The majority of R&D activity relates to early stage process development, carrying significant risk of failure due to the inability to develop an efficacious and commercially viable product. The Director exercises significant skills and knowledge to ensure that this risk is mitigated by recruiting highly skilled staff and investing in training and development as well as automating processes as much as possible. There is an inherent risk that products developed will not gain regulatory approval to enable them to progress to market. This risk is mitigated by undertaking significant levels of validation activity and engaging with regulatory bodies at an early stage. The Director receives regular updates on risks from the development teams and assesses and decides on action based on those updates.

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 Director's Report on page 9.

Strategic report for the year ended 31 December 2020 (continued)

Section 172 statement - Directors duties (continued)

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 all 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 through the designation of a charity day for every employee to assist and support a charity or project of their choosing, as well as supporting local charity events near our Liverpool base.

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 Director, it is my 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

Crawford Brown, as Senior Vice President of Biologics and small molecule API was an integral part of the decision making process of the ultimate parent and Group in relation to all projects that fall within the Company's remit. Crawford Brown ensured that there were regular updates within the group and the ultimate parent of all activities that were undertaken. Post-acquisition, the current Director is Boliang Lou and as CEO of Pharmaron, is directly responsible for the decision making for the business.

Members of the Company

Crawford Brown as Director, intended to behave responsibly towards the members and treat them fairly and equally so that they too benefit from the success of the business. Dr Boliang Lou as the incumbent Director also intends to behave responsibly towards the members and treat them fairly and equally so that they continue to benefit from the success of the business.

Strategic report for the year ended 31 December 2020 (continued)

This report was approved by the board and signed on its behalf.

Boliang Lou

Dr Boliang Lou

Director

Date 18/8/2021

Director's report for the year ended 31 December 2020

The Director presents the Director's report and the audited financial statements of the Company for the year ended 31 December 2020.

On 14th May 2021 the Company changed its name from Allergan Biologics Limited to Pharmaron Biologics (UK) Ltd following acquisition of the Company post year end.

Business review and future developments

Please refer to the Strategic report on page 3-8.

Political contributions

No political contributions were paid (2019: £Nil).

Dividends

The Director does not propose payment of a dividend for the year (2019: £Nil).

Director

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Dr Boliang Lou (appointed on 30 April 2021)

Dr Crawford Brown (resigned on 30 April 2021)

Director's indemnities

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

Research and development

The Company undertook significant levels of research and development activity during the year, working to develop biological products in accordance with Allergan's biologics strategy. These costs are charged back with margin to the appropriate IP holder.

Principal and Financial Risks and Uncertainties

Please refer to the strategic report on page 3-8.

Employee statement

During the year employees have been systematically provided with information on matters which concern them through regular local and global 'Town Hall' meetings, as well as an annual conference for all employees. The Company also provides an opportunity for employees to communicate directly with members of the site leadership team through the use of "Brunch sessions" where any matter can be discussed in on open and honest forum that also provides confidentiality for everyone attending. 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.

Director's report for the year ended 31 December 2020 (continued)

Employee statement (continued)

The Company has a strong culture of inclusiveness and insists on appropriate behaviour of all employees. In addition, when a new employee joins the Company, they are required to attend a diversity and dignity at work seminar as part of their induction, which promotes inclusion and treating everyone with dignity and respect at work. This training is part of the overall Company's approach to ensure equal opportunities for all which also includes policies with respect to non-discrimination. In instances of disability the Company takes all reasonable steps to ensure that there in continued employment and support for any affected individual.

Statement on engagement with suppliers, customers and others in a business relationship with the Company

The relationship with and the engagement with these stakeholders are managed by employees who hold regular meetings and dialogue with our suppliers and outsourced service suppliers. Part of this conversation is to understand their needs and concerns in doing business with the Company.

Future developments

On 8th May 2020, AbbVie Inc., as the ultimate parent Company made arrangements to divest the business and Allergan Biologics Limited was held as an asset for sale. On 30th April 2021, the entire share capital of the Company was purchased by Pharmaron Biologics (UK) Holdings Limited, and the ultimate parent undertaking is now Pharmaron Beijing Co., Ltd. Please refer to the Strategic report pages 3-8 for implications of this acquisition.

Going concern

The Director believes 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 develop a full business plan and establish itself within the Pharmaron Group. The Director has 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.

Director's report for the year ended 31 December 2020 (continued)

Statement of Director's responsibilities in respect of the financial statements

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company law the Director must not approve the financial statements unless he is 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 the financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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.

The Director is 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.

Director's confirmations

In the case of each Director in office at the date the Director's report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors

Pursuant to Section 485 of the Companies Act 2006, Grant Thornton UK LLP have been appointed as auditors after the year end and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board

Boliang Lou

Dr Boliang Lou
Director

18/8/2021

Independent auditors' report to the members of Pharmaron Biologics (UK) Ltd (formerly Allergan Biologics Limited)

Opinion

We have audited the financial statements of Pharmaron Biologics (UK) Ltd (formerly Allergan Biologics Limited) (the 'company') for the year ended 31 December 2020, 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the director's 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 director's conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the director 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.

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.

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.

Independent auditors' report to the members of Pharmaron Biologics (UK) Ltd (formerly Allergan Biologics) Limited (continued)

The responsibilities of the director with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The director is 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.

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

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 director's 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 director's 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 for the financial statements

As explained more fully in the statement of director's responsibilities in respect of the financial statements, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true

Independent auditors' report to the members of Pharmaron Biologics (UK) Ltd (formerly Allergan Biologics) Limited (continued)

and fair view, and for such internal control as the director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 Heathcare 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;

Independent auditors' report to the members of Pharmaron Biologics (UK) Ltd (formerly Allergan Biologics) Limited (continued)

  - 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.

- 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 competence and capabilities of the engagement team.

No matters relating to non-compliance with laws and regulations or relating to fraud were identified in relation to the above-mentioned laws and regulations that were identified by us as most significant.

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.

Grant Thornton UK LLP

Gareth Hitchmough
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
18/8/2021

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020	2019
		£'000	**£'000**
Turnover	1	**37,544**	40,650
Cost of sales		**(24,273)**	(27,319)
Gross profit		**13,271**	13,331
Administrative expenses		**(11,161)**	(10,315)
Other operating income	4	**4,814**	1,364
Operating profit		**6,924**	4,380
Income from shares in group undertakings		**3,330**	-
Interest receivable and similar income	5	**11**	9
Profit before taxation	6	**10,265**	4,389
Tax on profit	7	**(652)**	(708)
Profit for the financial year		**9,613**	3,681

The accounting policies and notes on pages 19 to 38 form an integral part of these financial statements.

There was no other comprehensive income for 2020 (2019: £NIL).

All amounts relate to continuing operations.

Pharmaron Biologics (UK) Ltd

Balance sheet as at 31 December 2020

	Note	2020	2019
		£'000	£'000
Fixed assets			
Tangible assets	8	**20,877**	23,652
Current assets			
Stocks	9	**670**	1,238
Debtors	10	**12,893**	14,965
Debtors: amounts falling due after one year	10	**1,710**	1,231
Cash at bank and in hand		**14,601**	7,640
		29,874	25,074
Creditors: amounts falling due within one year	11	**(4,492)**	(12,429)
Net current assets		**25,382**	12,645
Total assets less current liabilities		**46,259**	36,297
Provisions for liabilities	12	**(2,406)**	(2,102)
Net assets		**43,853**	34,195
Capital and reserves			
Called up share capital	13	-	-
Share premium account		**106,891**	106,891
Capital contribution reserve		**3,114**	3,069
Accumulated Losses		**(66,152)**	(75,765)
Total shareholders' funds		**43,853**	34,195

The financial statements on pages 19 to 38 were approved by the Board of Directors on 18/8/2021 and were signed on its behalf by

Boliang Lou

Dr Boliang Lou

Director

Registered number: 04543737

Pharmaron Biologics (UK) Ltd

Statement of changes in equity for the year ended 31 December 2020

	Note	Called up share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Accumulated losses £'000	Total Shareholders' (Deficit)/funds £'000
Balance as at 1 January 2019		-	106,891	2,411	(79,446)	29,856
Profit for the financial year		-	-	-	3,681	3,681
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	3,681	3,681
Capital contribution - Allergan RSU's & stock options	14	-	-	772	-	772
Share vested	14	-	-	(114)	-	(114)
Total transactions with owners, recognised directly in equity		-	-	658	-	658
Balance as at 31 December 2019		-	106,891	3,069	(75,765)	34,195
Profit for the financial year		-	-	-	**9,613**	**9,613**
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	**9,613**	**9,613**
Capital contribution - Allergan RSU's & stock options	14	-	-	1,654	-	1,654
Share vested	14	-	-	(1,609)	-	(1,609)
Total transactions with owners, recognised directly in equity		-	-	**45**	-	**45**
Balance as at 31 December 2020		-	**106,891**	**3,114**	**(66,152)**	**43,853**

Accounting policies for the year ended 31 December 2020

General information
Pharmaron Biologics (UK) Ltd (formerly known as Allergan Biologics 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 biopharmaceutical products.

Statement of compliance
The individual financial statements of Pharmaron Biologics (UK) Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies
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.

Basis of preparation
These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note (o).

(a) Going concern

The Director believes 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 develop a full business plan and establish itself within the Pharmaron Group. The Director has 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.

(b) Exemption for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemption, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of AbbVie Inc.

As a qualifying entity, the Company has taken advantage of the following exemptions:

(i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
(ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102; and
(iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102.

Accounting policies for the year ended 31 December 2020 (continued)

(c) Foreign currency

(i) Functional and presentation currency
The Company's functional and presentation currency is the pound sterling, rounded in thousands.

(ii) Transaction 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 the statement of comprehensive income.

(d) 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.

(e) Employee benefits
The Company provides a range of benefits to employees and a defined contribution pension plan.

(i) Short term benefits
Short term benefits, and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution plans
The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. Once the contributions have been paid the Company has no further obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet as at 31st December 2020. The assets of the scheme are held separately from those of the Company in independently administered funds. Contributions payable for the year are charged to the statement of comprehensive income.

(iii) Share based payments
Restrictive share awards granted to Company employees by the former ultimate parent Company, Allergan PLC, have been treated as equity share options. Restricted share unit awards are grants that entitle the holder the right to receive an ordinary share subject to certain terms, vesting over a one to four year vesting period. The total of the award cost is calculated based on the closing market price per share on the grant date with the charge amortised over the applicable vesting period, ending on the date on which the relevant employees become entitled to the award.

At each balance sheet date before vesting, the cumulative expense of unvested awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of units that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in the capital contribution reserve. The cost of awards vesting during the year is calculated with respect to the closing market price at the date of vest, which is reimbursed in full to the ultimate parent Company. This cost is fully expensed during the year, reduced by the release of the balance held to the previous balance sheet date in the capital contribution reserve with respect to the vest.

Recharges from the ultimate parent Company in respect of options granted to the Company's employees are recorded as a capital contribution directly in profit and loss reserves.

Pharmaron Biologics (UK) Ltd

Accounting policies for the year ended 31 December 2020 (continued)

(iii) Share based payments (continued)

Employer National Insurance ("NI") contributions are recognised on the outstanding share options that are expected to be exercised at the date of the Balance Sheet. The amount of NI provided is determined by applying the latest enacted rate of NI to the difference between the market value of the underlying shares at the Balance Sheet date and the option exercise price and then allocated over the period from the date of the grant to the end of the performance period: from that date to the date of actuals exercise the provision is adjusted using the current market value of the shares at each reporting year end.

(f) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Corporation tax is provided on the assessable profits of the Company at the appropriate rates in force.

(ii) Deferred income tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(g) Research and development

Research and development expenditure is written off in the statement of comprehensive income in the period in which it is incurred. Drug development projects are considered to be in their development phase until stage 3 clinical trials and process validation stages are complete. Only Abicipar and Brazikumab are at stage 3 with trials in progress. All other Biologics are pre-stage 3 clinical trials completion with the majority of projects.

(h) Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis.

Buildings	40 years
Plant & equipment	3 – 5 years

Land is not depreciated.

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.

Accounting policies for the year ended 31 December 2020 (continued)

(h) Tangible fixed assets (continued)

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.

(i) Leases
At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets
Leases that do not transfer all the risk and rewards of ownership are classified as operating leases. Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

(ii) Lease incentives
Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

(j) Impairment of non-financial assets
At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

(k) Stocks
Stocks are stated at the lower of cost or net realisable value. Stocks represent the cost price of consumables, which are carried forward in the balance sheet and taken to the statement of comprehensive income as they are consumed.

Cost is determined on the first-in, first-out (FIFO) cost method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. Any obsolescence is written off when it is identified.

(l) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(m) Financial instruments
The Company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

(m) Financial instruments (continued)

(i) Financial assets (continued)
Basic financial assets including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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 payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements 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.

(n) Related party transactions
The Company has taken advantage of the exemption under paragraph 33.1A of FRS 102, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a Group headed by AbbVie Inc. whose financial statements are publicly available (see note 18).

Accounting policies for the year ended 31 December 2020 (continued)

(o) Critical judgements and estimates in applying the accounting policies

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 8 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 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.

(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) West Wing Expansion

The expenditure incurred on the design and development of the project is currently £1.803m. This amount is being carried in the balance sheet on 31st December 2020 as an asset on the basis of the judgement of the management that it will continue to be used for the future development of the site following on from the change of ownership of the Company. As such no asset impairment provision has been made with respect to this asset.

Notes to the financial statements for the year ended 31 December 2020

1 Turnover

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

Geographical analysis of turnover by destination	2020 £'000	2019 £'000
Rest of the world	37,544	40,650
	37,544	40,650

Analysis of turnover by class of business	2020 £'000	2019 £'000
Development	37,544	40,650
	37,544	40,650

2 Director's Remuneration

	2020 £'000	2019 £'000
Aggregate remuneration (excluding pension contributions)	**790**	623
Company contributions to money purchase arrangements	**-**	-

	2020 Number	2019 Number
Number of Directors who are accruing benefits to money purchase arrangements	**1**	1

	2020 £'000	2019 £'000
Highest paid Director's remuneration:		
Aggregate remuneration (excluding pension contributions)	**790**	516
Restrictive share awards vesting	**297**	107

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Staff information

The average monthly number of persons (including the Director) employed by the Company during the year was:

	2020 Number	2019 Number
Consultancy, development and production	**115**	107
Administration	**22**	28
	137	135

	2020 £'000	2019 £'000
Staff costs during the year (including Directors)		
Wages and salaries	**10,915**	9,927
Social security costs	**1,240**	1,074
Other pension costs (Note 15)	**895**	819
Share based payments	**1,480**	679
	14,530	12,499

The individuals that are considered by the Company to be key management personnel have received remuneration totalling £1,432,666 (2019: £1,047,216).

Pharmaron Biologics (UK) Ltd

Notes to the financial statements for the year ended 31 December 2020 (continued)

4 Other operating income

Other operating income comprises a Research and Development Expenditure Credit (RDEC) tax credit calculation, equating to 12.75% (2019: 12.00%) 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.

Other income also includes a gain on the sale of intellectual property of £2,800k. The Company acquired the intellectual property from Northwood Medical Innovation Limited, a subsidiary undertaking during the year as part of a members' voluntary liquidation.

	2020 £'000	2019 £'000
Gain on disposal of intellectual property	**2,800**	-
Other operating income – RDEC	**2,014**	1,364
	4,814	1,364

5 Interest receivable and similar income

	2020 £'000	2019 £'000
Bank interest received	**11**	**9**

Notes to the financial statements for the year ended 31 December 2020 (continued)

6 Profit before taxation

	2020 £'000	2019 £'000
Profit before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets	**4,435**	3,868
Gain on disposal of intellectual property	**(2,800)**	-
Operating lease charges	**154**	112
Auditors' remuneration		
- audit services	**54**	46
- other services	**-**	-

7 Tax on profit

Analysis of tax for year	2020 £'000	2019 £'000
Current tax		
UK corporation tax charge on profit for the year – group relief	**442**	2
Adjustments in respect of prior years	**(127)**	(59)
Total current tax	**315**	(57)
Deferred tax		
Origination and reversal of timing differences	**551**	1,077
Adjustments in respect of prior years	**(328)**	(199)
Effects of changes in tax rates	**114**	(113)
Total deferred tax	**337**	765
Tax on profit	**652**	708

Notes to the financial statements for the year ended 31 December 2020 (continued)

7. Tax on profit (continued)

The tax charge for the year is lower (2019: lower) than the standard rate of corporation tax in the UK 19% (2019: 19 %). This is explained as follows:

	2020	2019
	£'000	**£'000**
Profit before taxation	**10,265**	4,389
Profit before taxation multiplied by standard rate in the UK of 19% (2019: 19%)	**1,950**	834
Effects of:		
Expenses not chargeable to tax	**185**	210
Deferred tax not recognised	**-**	399
Adjustments in respect of prior years	**(455)**	(257)
Tax rate changes	**114**	(113)
Gain on disposal of intellectual property	**(532)**	-
Non-taxable distribution	**(632)**	-
Share options timing differences	**22**	(364)
Other	**-**	(1)
Total tax charge for the year	**652**	708

As at 31 December 2020 there is a recognised deferred tax asset of £470,000 relating to tax losses carried forward (2019: £959,000). Based on the Company's profit forecasts, the Director is confident that the losses will be utilised through future taxable profits in the foreseeable future. As such, the Director considers it appropriate to recognise the deferred tax asset in these financial statements.

The UK Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the tax rate reduction to 17% would not occur and the UK corporation tax rate would instead remain at 19%. As the 19% rate was substantively enacted by the balance sheet date, deferred tax balances relating have been calculated at 19% (2019: 17%).

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 not substantively enacted at the balances sheet date and therefore have not been reflected in the measurement of deferred tax balances at the period end. If the Company's deferred tax balances at the period end were remeasured at 25% this would increase the deferred tax asset by £540k and the deferred tax asset liability by £760k.

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Tangible assets

	Land &	Plant & equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	7,355	33,944	6,126	47,425
Additions	-	1,263	397	1,660
Release from Assets under construction	-	3,470	(3,470)	-
At 31 December 2020	**7,355**	**38,677**	**3,053**	**49,085**
Accumulated depreciation				
At 1 January 2020	1,308	22,465	-	23,773
Charge for the year	177	4,258	-	4,435
At 31 December 2020	**1,485**	**26,723**	-	**28,208**
Net book amount				
At 31 December 2020	**5,870**	**11,954**	**3,053**	**20,877**
At 31 December 2019	6,047	11,479	6,126	23,652

There are no securities held against any capital assets.

The net book value of land and building comprises:

	2020	2019
	£'000	£'000
Long Leasehold	**5,870**	**6,047**

9 Stocks

	2020	2019
	£'000	£'000
Raw materials	**670**	1,238

Notes to the financial statements for the year ended 31 December 2020 (continued)

9 Stocks (continued)

The amount of stock recognised as an expense during the year was £3,692,000 (2019: £1,518,000). There are no securities held against any stock items.

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

An impairment loss of £70,575 (2019: £Nil) was recognised in cost of sales against stock during the year due to obsolete stock.

10 Debtors: amounts falling due within and after one year

	2020 **£'000**	2019 £'000
Trade debtors	**-**	146
Amounts owed by Group undertakings	**9,260**	10,141
Other debtors	**241**	425
RDEC	**2,920**	3,417
Prepayments and accrued income	**472**	836
Total amounts falling due within one year	**12,893**	14,965
Deferred tax asset (note 12)	**1,710**	1,231
Total amounts falling due after more than one year	**1,710**	1,231

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

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	**887**	2,334
Amounts owed to Group undertakings	**-**	1,336
Taxation and social security	**217**	230
Corporation tax payable	**442**	126
Accruals and deferred income	**2,946**	8,403
	4,492	12,429

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

12 Provisions for liabilities

The movement in the deferred taxation provision during the year was

	2020	2019
	£'000	£'000
As at 1 January	**2,102**	1,004
Profit and loss movement arising during the year	**304**	1,098
As at 31 December	**2,406**	2,102

Notes to the financial statements for the year ended 31 December 2020 (continued)

12 Provisions for liabilities (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2020	2019
	£'000	£'000
Deferred tax liability		
Excess of taxation allowances over depreciation on fixed assets	**2,406**	2,102
Deferred tax asset		
RDEC	**(935)**	-
Timing difference arising on provision for RSU's and stock options	**(305)**	(272)
Losses	**(470)**	(959)
Provision carried forward	**696**	871

	2020	2019
	£'000	£'000
Provisions for Liabilities	**2,406**	2,102
Debtors	**(1,710)**	(1,231)
Provision carried forward	**696**	871

13 Called up share capital

	2020	2019
	£	£
Authorised		
1,000 (2019: 1,000) ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid		
103 (2019:103) ordinary shares of £1 each	**103**	103

Notes to the financial statements for the year ended 31 December 2020 (continued)

13 Called up share capital (continued)

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.

14 Share based payment transactions

In the year, the Company operated a restrictive share award scheme. These awards entitle certain employees to receive free shares in the ultimate parent Company, AbbVie Inc. in a one to four year time period, provided the employee remains in service. Awards are generally granted annually as part of the employee remuneration review process.

The Company accounts for share based compensation 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 expense over the requisite service period.

Fair value is determined with reference to the closing value of the market share price at the date of issue of the awards. In valuing equity transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). As awards are linked to service, no expense is recognised for unvested shares relating to employees who have since left the Company.

At each balance sheet date before vesting, the cumulative expense of unvested awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of units that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in capital contribution reserve. The cost of awards vesting during the year is calculated with respect to the closing market price at the date of vest, which is reimbursed in full to the ultimate parent Company. This cost is fully expensed during the year, reduced by the release of the balance held to the previous balance sheet date in the capital contribution reserve with respect to the vest.

The financial effect of unvested awards issued by the ultimate parent Company to the employees of subsidiary undertakings is recognised by the parent Company in its individual financial statements. In particular the parent Company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS102 cost in the subsidiary undertakings.

Restrictive share awards granted between 2010 and 2012 were issued under the terms of the 'Watson 2001 Incentive Award Plan'. Under this scheme, awards vest equally on the second and fourth anniversaries following the date of grant, i.e. 50% after 2 years and 50% after 4 years. Awards granted after 2012 were issued under the terms of the 'Actavis restricted stock unit award agreement', which vest according to the terms held in individual employee 'Notice of Grant' documentation. Generally, shares vest equally on each of the four anniversaries following the date of grant, i.e. 25% after 1 year, 2 years, 3 years and 4 years. All schemes entitle award holders to receive shares in Allergan PLC, subject to being employed by the Company at the date of vest.

Awards expire 4 years after the date of grant, unless the employee leaves the Company before then, thus terminating unvested awards. On the date of vesting, no payment or formal exercise is required by employees as shares allocated according to the terms of the 'notice of grant' will automatically be issued to the employee within 75 days of the vesting date.

Pharmaron Biologics (UK) Ltd

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 Share based payment transactions (continued)

The Company's employees participate in a share option plan. Options are exercisable at a price equal to the market price of the underlying shares on the date of grant. Options generally vest over four years with 25% of the option vesting on each anniversary of the date of grant. Options granted since the beginning of 2006 have a contractual life of ten years. Options are generally forfeited if the employee leaves the Allergan plc group before the options vest.

On 8 May 2020, AbbVie Inc. announced that it had completed its acquisition of Allergan plc. Allergan plc shareholders received a total consideration of $193.23 per Allergan share (based on the closing price of AbbVie common stock of $84.22 on 7 May 2020). This resulted in additional awards being granted at a ratio of 2.303 to the existing unvested awards with an equal adjustment to the grant price. Allergan common stock ceased trading on the New York Stock Exchange as of close of trading on the 8 May 2020.

The Company recognised total expenses of £1,653,934 and £1,430,882 related to equity-settled share-based payment transactions (including restricted stock units) in 2020 and 2019 respectively.

A reconciliation of share option movements over the year to 31 December 2020 is shown below:

	No.	**2020 Weighted average exercise price £**	No.	2019 Weighted average exercise price £
Outstanding at 1 January	**48,772**	**141.47**	37,272	163.57
Granted	**52,796**	**65.45**	17,696	106.99
Forfeited	**(88)**	**65.45**	(214)	106.99
Exercised	**(29,288)**	**147.38**	(5,982)	106.97
Expired	**-**	**-**	-	-
Outstanding at 31 December	**72,192**	**111.31**	48,772	141.47
Exercisable at 31 December	**72,192**	**111.31**	48,772	141.47

Notes to the financial statements for the year ended 31 December 2020 (continued)

15 Pension commitments

The Company operates a defined contribution scheme. Total contributions for the year ending 31 December 2020 are £895,000 (2019: £819,000). At 31 December 2020 the Company owed £81,618 relating to December pension contributions (2019: £72,984).

16 Capital and other commitments

At 31 December 2020 the Company had committed £1,116,336 in respect of future capital expenditure not provided in the financial statements (2019: £nil).

17 Operating Lease commitments

At 31 December the Company had total future minimum lease payments under non-cancellable operating leases expiring as follows:

	2020	2019
	£'000	£'000
Payments due:		
Not later than one year	**104**	**37**
Later than one year and not later than five years	**629**	**3**
Later than five years	**-**	**-**
	733	**40**

Lease payments expensed to the Statement of Comprehensive Income in 2020 were £154,011 (2019: £112,013).

18 Ultimate parent undertaking

The Company was a wholly owned subsidiary of AGN Sundry LLC at 31 December 2020, 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.

19 Post balance sheet events

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. On 30th April 2021, the entire share capital of the Company was purchased by Pharmaron Biologics (UK) Holdings Limited, and the ultimate parent undertaking is now Pharmaron Beijing Co., Ltd. In addition, 2 shares from 9th October 2018 which were allotted to AGN Sundry LLC where issued shortly before the capital reduction.

The Covid-19 pandemic continues to severely impact many local economies around the globe. The impact on the Company arising from the pandemic continues to be considered by the Directors. There are no adjusting or non-adjusting events which have come to light at this current time.

The LTI shares reward program operated by Allergan PLC has ended with the intention of Pharmaron to replace with its own share based rewards program. All existing granted shares have been converted to cash payment to be paid over the same period as the original share vesting. This was based on the average exchange rate and the average share price of Abbvie Inc two days before the 30th April and for the proceeding 30 days from that date.