

Group Strategic Report, Report of the Director and  
Audited Consolidated Financial Statements for the Year Ended 31 December 2021  
for  
Tanner Pharma UK Limited

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for the Year Ended 31 December 2021

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**DIRECTOR:**

Mr R F Bourne

**REGISTERED OFFICE:**

2 Adelaide Street  
St Albans  
Hertfordshire  
AL3 5BH

**REGISTERED NUMBER:**

09566234 (England and Wales)

**AUDITORS:**

Haines Watts High Wycombe Limited  
Oakingham House  
Frederick Place  
High Wycombe  
Buckinghamshire  
HP11 1JU

Group Strategic Report  
for the Year Ended 31 December 2021

The director presents his strategic report of the company and the group for the year ended 31 December 2021.

**REVIEW OF BUSINESS**

The Director aims to present a balanced and comprehensive review of the development and performance of the Group during the above referenced year and its position at the year end. The review is consistent with the size and nature of the Company and its subsidiaries and is written in the context of the opportunities, risks and uncertainties faced by the Group. Considered were the key performance indicators (i.e., these being turnover, profit margin and cash flow) that communicate the financial performance and strength of the Group as a whole.

The Group's turnover has increased from £192,032,000 in 2020 to £468,490,000 in 2021, or by 144%. This increase was mainly a result of higher-volume contracts with the UK Health Security Agency (UKHSA), which is an executive agency of the Department of Health and Social Care (DHSC), as the Group supported the United Kingdom government's urgent response to the SARS-CoV-2 pandemic.

Overall gross profit has increased from £62,778,000 (32.7%) in 2020 to £98,446,000 (21.0%) in 2021 with the margins increasing slightly. Operating profit has increased from £46,973,000 (24.5%) in 2020 to £78,419,000 (16.7%) in 2021. After taxation, £63,614,000 has been added to reserves.

Total cash flow for 2021 was an increase of £9,298,000. This was due to an increased operating cash flow of £107,792,000. The Group maintains high cash balances, £15,414,000, at the year-end in order to prepay suppliers and vendors related to forthcoming, high-volume orders from the UKHSA. Carrying a large cash balance in anticipation of future orders also helps the Group remain unaffected by occasional changes in the regular collection of receivables.

Cash flow management remains a priority and the Group aims to maintain a strong positive cash balance. Cash flow management involves prompt invoicing of the Group's clients and agreeing and adhering to fair terms with all its suppliers. As for many businesses of the Group's size, the business environment in which we operate continues to be challenging. We continue to work hard for the Group's clients to ensure that the Group continues to maintain and grow its turnover. With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen events outside of the Group's control.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group continues to pursue an effective corporate governance and risk management policy wherever possible. The Group maintains a strategy of strong cash flow and working capital management, which is reflected in its positive, net cash position. The principal risks to the business are loss of key accounts or decreased supply by primary suppliers. While acknowledging the uncommon opportunity provided to the Group by the UKHSA to support its response to the unprecedented SARS-Cov-2 pandemic, and the trust afforded to the Group by the product manufacturers it represented, it is expected that someday the budget allocated by the UKHSA to the pandemic response will wane. In anticipation of a likely decline in turnover, the Group has a flexible, adaptable approach to its business and a stable basis of non-government business on which we rely. The Group is confident in its proven ability to respond quickly to its customers' and suppliers' needs, to communicate clearly and effectively with them, and to add value in both directions of the supply chain to improve the lives of those who receive the Group's healthcare products.

**SECTION 172(1) STATEMENT**

The directors of the company are required under section 172 of the Companies Act 2006 ('s.172') to act in a way that promotes the success of the company for the benefit of its shareholders as a whole, whilst having regard to the following matters (amongst other things): the likely long term consequences; the interests of the company's employees; the business relationships with suppliers and customers; the impact on the community and the environment; reputation for high standards of business conduct; and acting fairly between shareholders.

The governance framework adopted by the Tanner Pharma UK Limited has been applied by the company and its subsidiaries, Tannerlac UK Limited, Tanner Pharma IE Limited and Tanner Pharma CH GmbH, and the matters that the directors of the company are responsible for considering under s.172 have been considered to an appropriate extent by the Board in relation to both company and its subsidiaries. Further details of how the Board has considered the matters set out in s.172 (for the group and for the company) are set out in the Tanner Pharma UK Limited Annual Report and Accounts, which does not form part of this report. During the year, the directors have also considered, both individually and together, relevant matters where appropriate.

**ON BEHALF OF THE BOARD:**

Mr R F Bourne - Director

31 March 2023

Report of the Director  
for the Year Ended 31 December 2021

The director presents his report with the financial statements of the company and the group for the year ended 31 December 2021.

**PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of pharmaceutical supplies.

**DIVIDENDS**

Interim dividends totalling £729.21932 per share were paid during the year. The director recommends that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2021 will be £ 72,921,932 .

**FUTURE DEVELOPMENTS**

The prime group objective is to deliver sustainable growth in shareholder value. This requires growth in the long term combined with strong cash generation. The strategy is to drive high quality performance in what the group does for existing and prospective customers and to further promote the organization and its services.

**DIRECTOR**

Mr R F Bourne held office during the whole of the period from 1 January 2021 to the date of this report.

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the Group Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group'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 group's auditors are aware of that information.

Report of the Director  
for the Year Ended 31 December 2021

**AUDITORS**

The auditors, Haines Watts High Wycombe Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

Mr R F Bourne - Director

31 March 2023

### **Opinion**

We have audited the financial statements of Tanner Pharma UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group profit and loss account, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2021 and of the group's 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 qualified opinion**

The company and group did not meet the audit requirement threshold in the prior year and, therefore, the financial statements for the prior year were unaudited. As a result, we were unable to satisfy ourselves concerning the closing balances, for the prior year. Consequently, we were unable to determine whether any adjustments to the opening balances were necessary in the year ended 31 December 2021. As is our standard practice for a first year audit, our opinion is qualified in this respect.

During the course of our audit we were made aware of a contractual claim made by a third party against the company during the year ended 31 December 2021. We were unable to satisfy ourselves by available means concerning the extent and nature of this claim, and its impact on the financial statements. Consequently, we have been unable to conclude as to whether any adjustment or additional disclosure was necessary. Were any adjustment required, the Strategic Report would also need to be amended.

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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the 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 parent company or group'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 course of 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 this gives rise to 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the closing balances for the prior year. Consequently, we were unable to determine whether any adjustments to the opening balances were necessary in the year ended 31 December 2021. In addition, our scope has been limited in respect of the claim referred to in these financial statements in Note 17.

### **Opinions on other matters prescribed by the Companies Act 2006**

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of our 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.

In addition, were any adjustments be required, the strategic report would also need to be amended.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report, other than the possible effects of the matters described in the basis for qualified opinion section of our report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 director**

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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

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

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

### **Explanation as to the extent to which the audit was considered capable of detecting irregularities, including fraud**

During the audit we identify and assess the risk of material misstatements of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud and error; and to respond appropriately to those risks.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and group and the sector in which they operate. We determined that the following laws and regulations were most significant: The Companies Act 2006, UK GAAP, UK corporation tax laws, the Data Protection Act.
- We obtained an understanding of how the parent company and group are complying with those legal and regulatory frameworks and made enquiries to the management of known or suspected instances of fraud and non-compliance with laws and regulations.
- We corroborated our enquiries, where possible through our review of board minutes, other relevant meeting minutes and review of correspondence with regulatory bodies and also obtained management representations regarding compliance with applicable laws and regulations.

We assessed the susceptibility of the parent company and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:

- Identifying and assessing the controls management has in place to prevent and detect fraud, including the existence of supervisory controls;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process including the existence of monthly management accounts review process;
- Challenging assumptions and judgements made by management in its significant accounting estimates and judgements, (in particular in relation to depreciation, provisioning and contingent liabilities);
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations; and
- Assessing the extent of compliance with the relevant laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusions. There is always the unavoidable risk that material misstatements in the financial statements may not be detected despite the audit being properly performed in accordance with UK Auditing standards.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of  
Tanner Pharma UK Limited

**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 a Report of the Auditors 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.

Gary Heywood (Senior Statutory Auditor)  
for and on behalf of Haines Watts High Wycombe Limited  
Oakingham House  
Frederick Place  
High Wycombe  
Buckinghamshire  
HP11 1JU

31 March 2023

Consolidated Income Statement  
for the Year Ended 31 December 2021

		31.12.21	31.12.20 (Unaudited)
	Notes	£'000	£'000
<b>TURNOVER</b>	3	468,489	192,032
Cost of sales		<u>370,043</u>	<u>129,254</u>
<b>GROSS PROFIT</b>		98,446	62,778
Administrative expenses		<u>20,027</u>	<u>15,805</u>
<b>OPERATING PROFIT and PROFIT BEFORE TAXATION</b>		78,419	46,973
Tax on profit	6	<u>14,805</u>	<u>8,235</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>63,614</u>	<u>38,738</u>
Profit attributable to: Owners of the parent		<u>63,614</u>	<u>38,738</u>

Consolidated Other Comprehensive Income  
for the Year Ended 31 December 2021

	Notes	31.12.21 £'000	31.12.20 (Unaudited) £'000
<b>PROFIT FOR THE YEAR</b>		63,614	38,738
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>63,614</u>	<u>38,738</u>
<b>FOR THE YEAR</b>		<u>63,614</u>	<u>38,738</u>
Total comprehensive income attributable to: Owners of the parent		<u>63,614</u>	<u>38,738</u>

Consolidated Balance Sheet  
31 December 2021

		31.12.21		31.12.20 (Unaudited)	
	Notes	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	9		6		17
Investments	10		-		-
			<u>6</u>		<u>17</u>
<b>CURRENT ASSETS</b>					
Stocks	11	42,954		220	
Debtors	12	57,941		77,477	
Cash at bank		<u>15,414</u>		<u>6,117</u>	
		116,309		83,814	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>86,441</u>		<u>44,649</u>	
<b>NET CURRENT ASSETS</b>			<u>29,868</u>		<u>39,165</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>29,874</u>		<u>39,182</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		63		63
Other reserves	16		8		8
Retained earnings	16		<u>29,803</u>		<u>39,111</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>29,874</u>		<u>39,182</u>

The financial statements were approved by the director and authorised for issue on 31 March 2023 and were signed by:

Mr R F Bourne - Director

Company Balance Sheet  
31 December 2021

		31.12.21		31.12.20 (Unaudited)	
	Notes	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	9		4		14
Investments	10		24		24
			<u>28</u>		<u>38</u>
<b>CURRENT ASSETS</b>					
Stocks	11	42,939		199	
Debtors	12	57,949		77,025	
Cash at bank		<u>14,273</u>		<u>5,883</u>	
		115,161		83,107	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>86,322</u>		<u>45,140</u>	
<b>NET CURRENT ASSETS</b>			<u>28,839</u>		<u>37,967</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>28,867</u>		<u>38,005</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		63		63
Retained earnings	16		<u>28,804</u>		<u>37,942</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>28,867</u>		<u>38,005</u>
Company's profit for the financial year			<u>63,784</u>		<u>38,809</u>

The financial statements were approved by the director and authorised for issue on 31 March 2023 and were signed by:

Mr R F Bourne - Director

Consolidated Statement of Changes in Equity  
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
<b>Balance at 1 January 2020</b>	63	373	8	444
<b>Changes in equity</b>				
Total comprehensive income	-	38,738	-	38,738
<b>Balance at 31 December 2020</b>	63	39,111	8	39,182
<b>Changes in equity</b>				
Dividends	-	(72,922)	-	(72,922)
Total comprehensive income	-	63,614	-	63,614
<b>Balance at 31 December 2021</b>	63	29,803	8	29,874



Company Statement of Changes in Equity  
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2020</b>	63	(867)	(804)
<b>Changes in equity</b>			
Total comprehensive income	-	38,809	38,809
<b>Balance at 31 December 2020</b>	63	37,942	38,005
<b>Changes in equity</b>			
Dividends	-	(72,922)	(72,922)
Total comprehensive income	-	63,784	63,784
<b>Balance at 31 December 2021</b>	63	28,804	28,867

Consolidated Cash Flow Statement  
for the Year Ended 31 December 2021

		31.12.21	31.12.20
		£'000	(Unaudited) £'000
<b>Cash flows from operating activities</b>	Notes		
Cash generated from operations	1	107,792	5,188
Tax paid		(25,572)	(116)
Net cash from operating activities		<u>82,220</u>	<u>5,072</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		<u>(72,922)</u>	<u>-</u>
Net cash from financing activities		<u>(72,922)</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>		<u>9,298</u>	<u>5,072</u>
<b>Cash and cash equivalents at beginning of year</b>	2	6,117	1,046
<b>Cash and cash equivalents at end of year</b>	2	<u><u>15,414</u></u>	<u><u>6,117</u></u>

The notes form part of these financial statements

Company Cash Flow Statement  
for the Year Ended 31 December 2021

		31.12.21	31.12.20
	Notes	£'000	(Unaudited) £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	105,627	4,243
Tax paid		(25,451)	-
Net cash from operating activities		<u>80,176</u>	<u>4,243</u>
<b>Cash flows from investing activities</b>			
Dividends received		<u>1,136</u>	<u>1,270</u>
Net cash from investing activities		<u>1,136</u>	<u>1,270</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		<u>(72,922)</u>	<u>-</u>
Net cash from financing activities		<u>(72,922)</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>		<u>8,390</u>	<u>5,513</u>
<b>Cash and cash equivalents at beginning of year</b>	2	5,883	370
<b>Cash and cash equivalents at end of year</b>	2	<u><u>14,273</u></u>	<u><u>5,883</u></u>

The notes form part of these financial statements

Notes to the Cash Flow Statements  
for the Year Ended 31 December 2021

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

**Group**

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Profit before taxation	78,419	46,973
Depreciation charges	<u>11</u>	<u>16</u>
	78,430	46,989
Increase in stocks	(42,734)	(215)
Decrease/(increase) in trade and other debtors	22,065	(72,999)
Increase in trade and other creditors	<u>50,031</u>	<u>31,413</u>
<b>Cash generated from operations</b>	<u>107,792</u>	<u>5,188</u>

**Company**

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Profit before taxation	78,483	46,926
Depreciation charges	10	13
Finance income	<u>(1,136)</u>	<u>(1,270)</u>
	77,357	45,669
Increase in stocks	(42,740)	(194)
Decrease/(increase) in trade and other debtors	21,711	(76,802)
Increase in trade and other creditors	<u>49,299</u>	<u>35,570</u>
<b>Cash generated from operations</b>	<u>105,627</u>	<u>4,243</u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statements in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

	<b>Group</b>		<b>Company</b>	
<b>Year ended 31 December 2021</b>	31.12.21	1.1.21	31.12.21	1.1.21
	£'000	£'000	£'000	£'000
Cash and cash equivalents	<u>15,414</u>	<u>6,117</u>	<u>14,273</u>	<u>5,883</u>
<b>Year ended 31 December 2020</b>	31.12.20	1.1.20	31.12.20	1.1.20
	(Unaudited)		(Unaudited)	
	£'000	£'000	£'000	£'000
Cash and cash equivalents	<u>6,117</u>	<u>1,046</u>	<u>5,883</u>	<u>370</u>

Notes to the Cash Flow Statements  
for the Year Ended 31 December 2021

3. ANALYSIS OF CHANGES IN NET FUNDS

**Group**

	At 1.1.21 £'000	Cash flow £'000	At 31.12.21 £'000
<b>Net cash</b>			
Cash at bank	<u>6,117</u>	<u>9,297</u>	<u>15,414</u>
	<u>6,117</u>	<u>9,297</u>	<u>15,414</u>
<b>Total</b>	<u>6,117</u>	<u>9,297</u>	<u>15,414</u>
<b>Company</b>			

	At 1.1.21 £'000	Cash flow £'000	At 31.12.21 £'000
<b>Net cash</b>			
Cash at bank	<u>5,883</u>	<u>8,390</u>	<u>14,273</u>
	<u>5,883</u>	<u>8,390</u>	<u>14,273</u>
<b>Total</b>	<u>5,883</u>	<u>8,390</u>	<u>14,273</u>

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

1. **STATUTORY INFORMATION**

Tanner Pharma UK Limited is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention and have been rounded to the nearest thousand pounds.

The comparative numbers for the year ended 31 December 2020 were unaudited.

**2. ACCOUNTING POLICIES - continued**

**Basis of consolidation**

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings together with the group's share of the results of associates made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group holds a long-term interest and where the group has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for as a business combination. Thereafter where the group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

Where the group has established employee benefit trusts ('EBT') or employee share ownership plans ('ESOP') and is the sponsoring entity, notwithstanding the legal duties of the trustees, the group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The company's equity instruments held by the EBT or ESOP are accounted for as if they were the company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the company's own equity held by either the EBT or ESOP.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

**2. ACCOUNTING POLICIES - continued**

**Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sales of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 15% on cost
Computer equipment	- 33% on cost

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.



**2. ACCOUNTING POLICIES - continued**

**Financial instruments**

**De-recognised assets/liabilities**

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured: at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;  
at cost less impairment for all other investments.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

**2. ACCOUNTING POLICIES - continued**

**Taxation**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Hire purchase and leasing commitments**

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

**Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

**Debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

**Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include revenue recognition.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
UK Government	460,488	179,941
Pharmaceutical company	8,002	12,091
	<u>468,490</u>	<u>192,032</u>

An analysis of turnover by geographical market is given below:

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
United Kingdom	460,488	185,388
Europe	7,525	5,363
United States of America	30	196
South America	145	456
Asia	302	362
North America excl USA	-	110
Oceania	-	157
	<u>468,490</u>	<u>192,032</u>

**4. EMPLOYEES AND DIRECTORS**

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Wages and salaries	5,716	5,124
Social security costs	47	17
Other pension costs	66	11
	<u>5,829</u>	<u>5,152</u>

The average number of employees during the year was as follows:

	31.12.21	31.12.20 (Unaudited)
Average staff numbers	<u>23</u>	<u>24</u>

	31.12.21	31.12.20 (Unaudited)
	£	£
Director's remuneration	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

**5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Other operating leases	132	154
Depreciation - owned assets	11	15
Foreign exchange differences	<u>862</u>	<u>(1,163)</u>

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Current tax:		
UK corporation tax	14,699	8,117
Foreign tax	<u>106</u>	<u>118</u>
Tax on profit	<u>14,805</u>	<u>8,235</u>

UK corporation tax has been charged at 19 % (2020 - 19 %).

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Profit before tax	<u>78,419</u>	<u>46,973</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19 % (2020 - 19 %)	14,900	8,925
Effects of:		
Expenses not deductible for tax purposes	1	1
Income not taxable for tax purposes	(216)	(241)
Depreciation in excess of capital allowances	2	3
Utilisation of tax losses	-	(561)
Other adjustments related to subsidiary tax charges	<u>118</u>	<u>108</u>
Total tax charge	<u>14,805</u>	<u>8,235</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

7. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

8. **DIVIDENDS**

	31.12.21	31.12.20 (Unaudited)
	£'000	£'000
Interim	<u>72,922</u>	<u>-</u>

9. **TANGIBLE FIXED ASSETS**

**Group**

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
<b>COST</b>			
At 1 January 2021 and 31 December 2021	<u>54</u>	<u>34</u>	<u>88</u>
<b>DEPRECIATION</b>			
At 1 January 2021	38	33	71
Charge for year	<u>10</u>	<u>1</u>	<u>11</u>
At 31 December 2021	<u>48</u>	<u>34</u>	<u>82</u>
<b>NET BOOK VALUE</b>			
At 31 December 2021	<u>6</u>	<u>-</u>	<u>6</u>
At 31 December 2020	<u>16</u>	<u>1</u>	<u>17</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

9. **TANGIBLE FIXED ASSETS - continued**

**Company**

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
<b>COST</b>			
At 1 January 2021 and 31 December 2021	<u>48</u>	<u>30</u>	<u>78</u>
<b>DEPRECIATION</b>			
At 1 January 2021	35	29	64
Charge for year	<u>9</u>	<u>1</u>	<u>10</u>
At 31 December 2021	<u>44</u>	<u>30</u>	<u>74</u>
<b>NET BOOK VALUE</b>			
At 31 December 2021	<u>4</u>	<u>-</u>	<u>4</u>
At 31 December 2020	<u>13</u>	<u>1</u>	<u>14</u>

10. **FIXED ASSET INVESTMENTS**

**Company**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2021 and 31 December 2021	<u>24</u>
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>24</u>
At 31 December 2020	<u>24</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

10. **FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**Tannerlac UK Limited**

Registered office: 2 Adelaide Street, St Albans, AL3 5BH

Nature of business: Wholesale of pharmaceutical goods

	% holding	31.12.21	31.12.20
Class of shares:		£'000	£'000
Ordinary	100.00	(12)	(17)
Aggregate capital and reserves		<u>5</u>	<u>-</u>
Profit for the year			

**Tanner Pharma IE Limited**

Registered office: 11 Bellevue Court, Frankfield, Douglas, Cork, T12 E06D

Nature of business: Wholesale of pharmaceutical goods

	% holding	31.12.21	31.12.20
Class of shares:		£'000	£'000
Ordinary	100.00	(29)	(13)
Aggregate capital and reserves		<u>(16)</u>	<u>(13)</u>
Loss for the year			

**Tanner Pharma CH GmbH**

Registered office: Alte Steinhäuserstrasse 21 Cham, ZUG, 6330 Switzerland

Nature of business: Wholesale of pharmaceutical goods

	% holding	31.12.21	31.12.20
Class of shares:		£'000	£'000
Ordinary	100.00	(62)	(39)
Aggregate capital and reserves		<u>1,113</u>	<u>1,206</u>
Profit for the year			

11. **STOCKS**

	<b>Group</b>		<b>Company</b>	
	31.12.21	31.12.20	31.12.21	31.12.20
	£'000	(Unaudited) £'000	£'000	(Unaudited) £'000
Stocks	<u>42,954</u>	<u>220</u>	<u>42,939</u>	<u>199</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

## 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.21	31.12.20 (Unaudited)	31.12.21	31.12.20 (Unaudited)
	£'000	£'000	£'000	£'000
Trade debtors	35,054	52,185	35,024	51,841
Amounts owed by group undertakings	-	-	42	25
Other debtors	11,195	14	11,188	-
Tax	2,529	-	2,635	-
VAT	-	38	-	35
Prepayments	9,163	25,240	9,060	25,124
	<u>57,941</u>	<u>77,477</u>	<u>57,949</u>	<u>77,025</u>

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.21	31.12.20 (Unaudited)	31.12.21	31.12.20 (Unaudited)
	£'000	£'000	£'000	£'000
Payments on account	221	26	221	26
Trade creditors	32,774	28,397	32,722	28,354
Amounts owed to group undertakings	-	-	171	934
Amounts owed to related undertakings	4,287	4,395	4,303	4,395
Tax	-	8,238	-	8,117
Social security and other taxes	1,532	1,661	1,416	1,659
VAT	38,400	-	38,400	-
Other creditors	3,632	7	3,632	-
Accrued expenses	5,595	1,925	5,457	1,655
	<u>86,441</u>	<u>44,649</u>	<u>86,322</u>	<u>45,140</u>

## 14. FINANCIAL INSTRUMENTS

Financial assets measured at fair value through profit or loss £15,414,000 (2020 - £6,117,000)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

There are no liabilities measure at fair value through profit or loss.

## 15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.21	31.12.20
			£	£
100,000	Ordinary	\$1	<u>62,500</u>	<u>62,500</u>



Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2021

16. **RESERVES**

**Group**

	Retained earnings £'000	Other reserves £'000	Totals £'000
At 1 January 2021	39,111	8	39,119
Profit for the year	63,614		63,614
Dividends	(72,922)		(72,922)
At 31 December 2021	<u>29,803</u>	<u>8</u>	<u>29,811</u>

**Company**

	Retained earnings £'000
At 1 January 2021	37,942
Profit for the year	63,784
Dividends	(72,922)
At 31 December 2021	<u>28,804</u>

17. **CONTINGENT LIABILITIES**

A claim has been brought against the company in the United States District Court, W.D. North Carolina, Charlotte Division by a contractual counterparty. There is a pending challenge to the jurisdiction of the Court and the group disputes the claim in its entirety. Given the uncertainties inherent to such litigation, it is impracticable to assess the financial effect or timing of the same. Even were a reliable assessment possible, it would not be disclosed per para 21.17 of FRS102.

18. **RELATED PARTY DISCLOSURES**

During the year, total dividends of £72,921,932 were paid to the director .

Tanner Pharma UK Limited and its Group is related to Tanner Pharma Group, Inc through common directors and shareholders. During the period no trading activities arose between the companies. At the end of the year Tanner Pharma UK Limited and its Group owed Tanner Pharma Group, Inc £4,287,000 (2020 - £4,395,000)

The company has availed of the exemptions in FRS102 Section 33, Paragraph 33.1A which allows non disclosure of transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

19. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is R F Bourne.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.