

Company Registration No. 04269261 (England and Wales)

RICHMOND PHARMACOLOGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

RICHMOND PHARMACOLOGY LIMITED

COMPANY INFORMATION

Directors	Dr J Taubel B Stiefel K Berelowitz Dr C Lorch
Company number	04269261
Registered office	1A Newcomen Street London United Kingdom SE1 1YR
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

RICHMOND PHARMACOLOGY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The Company has been established at a new clinical location for over two years. Building works were completed by autumn 2017. The unit has since operated to capacity. This has positively impacted the turnover in 2018 reaching £13.6m (from £9.8m in 2017), an increase of £3.8m over the previous financial year. The relocation of the clinical facilities in 2017 resulted in a temporary reduction of capacity by 50% for the first 6 months of 2017. Consequently, the company saw a reduction in turnover compared to 2016 which was only in part compensated in the latter half of that year. The directors report an EBITDA (Profit before tax, interest, depreciation and amortisation) of £1.0m (2017: loss of £0.7m) and a net profit of £0.55m (2017: loss of £1.17m). The net assets increased to £1.90m from £1.35m in 2017, this was a result of the net profit for 2018. Research and Development tax credits amounted to £621,377 (2017: £478,999).

For 2019, the directors are forecasting continued growth in turnover and are confident of achieving this target, given a strong pipeline of sales and 1st quarter performance. The central London location provides excellent transport links, hotel facilities and other attractions, which facilitated the recruitment of volunteers and patients, allowing on time recruitment and optimisation of staff and facility usage. The substantial upgrade to the building has been welcomed by new and existing clients. Furthermore, the location has further enhanced collaboration with world leading academics and institutions in central London.

The Company maintains a global reach with more than 70% of its work originating from overseas customers. The Company remains dedicated to promoting innovation in the development of new medicines, while maintaining a strong and profitable business. The company is committed to its core values, patient safety, respect and integrity.

Principal risks and uncertainties

Richmond Pharmacology Limited (RPL) operates in a highly specialist and competitive environment, across several geographical regions. To manage this, RPL invest in service delivery, facilities, quality assurance, training, brand and marketing to ensure we can meet our customers' requirements in a timely manner.

Cash flow risk

Cash flow is tightly managed, strong revenue and cost control ensures that the company can generate sufficient cash flow to fulfil its obligations.

Foreign exchange risk

The foreign exchange risk is mitigated by ensuring all payments are received in pound sterling. We have a few suppliers whom we pay in Euros, but the level of payments are typically minimal.

Credit risk

RPLs financial assets are bank balances, cash, trade debtors and research and development tax credits. The group's credit risk is primarily attributable to its trade debtors, and the amounts presented in the balance sheet are net of allowances for doubtful debtors. Credit risk is mitigated by balances being spread over a number of customers and credit control policies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the group uses short-term debt finance.

RICHMOND PHARMACOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

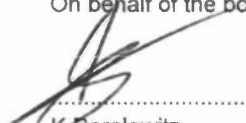
Brexit risk

The main political risk for 2019 relates to the increased uncertainty over Brexit. The fact that sterling has fallen against other currencies has made RPL more cost competitive against global competitors. We have not detected adverse impact on sales, in relation to Brexit thus far. We continue to monitor the on-going discussions in respect to Brexit and assessing any impact that these may have on the business in both the short and long term.

Key performance indicators

	2018	2017
Turnover	13,602,174	9,799,751
Gross Margin	32%	28%
Gross Profit	4,349,855	2,751,544
EBITDA	977,367	(721,341)
Net Profit/(loss)	547,474	(1,171,138)

On behalf of the board


.....
K Berelowitz
Director

Date: 24 June 2019

RICHMOND PHARMACOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continued to be that of the clinical development of new drugs on behalf of pharmaceutical companies.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr J Taubel
B Stiefel
K Berelowitz
Dr C Lorch

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid (2017: £nil). The directors do not recommend payment of a final dividend.

No dividends on preferred shares were paid (2017: £nil).

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

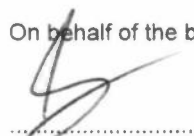
Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
K Berelowitz

Director

..... 26 June 2019

RICHMOND PHARMACOLOGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHMOND PHARMACOLOGY LIMITED

Opinion

We have audited the financial statements of Richmond Pharmacology Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHMOND PHARMACOLOGY LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

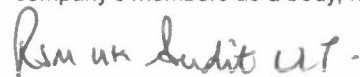
Auditor's responsibilities for the audit of the financial statements

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Suneel Gupta FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom
25 June 2019

RICHMOND PHARMACOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	13,602,174	9,799,751
Cost of sales		(9,252,319)	(7,048,207)
Gross profit		4,349,855	2,751,544
Administrative expenses		(4,365,421)	(4,277,169)
Other operating income		621,377	478,999
Operating profit/(loss)	7	605,811	(1,046,626)
Interest receivable and similar income	9	13,330	14,989
Interest payable and similar expenses	10	(88,847)	(81,924)
Other gains and losses		17,664	36,893
Profit/(loss) before taxation		547,958	(1,076,668)
Tax on profit/(loss)	11	(484)	(94,470)
Profit/(loss) for the financial year		547,474	(1,171,138)

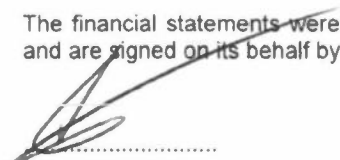
The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

RICHMOND PHARMACOLOGY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	13	-	-	-	-
Tangible assets	12	3,887,847		3,780,362	
Investments	14	1		1	
		<u>3,887,848</u>		<u>3,780,363</u>	
Current assets					
Debtors	15	2,616,228		2,553,648	
Cash at bank and in hand		<u>1,003,586</u>		<u>318,622</u>	
		3,619,814		2,872,270	
Creditors: amounts falling due within one year	19	<u>(3,499,974)</u>		<u>(2,997,811)</u>	
Net current assets/(liabilities)			119,840		(125,541)
Total assets less current liabilities			<u>4,007,688</u>		<u>3,654,822</u>
Creditors: amounts falling due after more than one year	21		(2,009,385)		(2,203,993)
Provisions for liabilities	22		<u>(100,000)</u>		<u>(100,000)</u>
Net assets			<u>1,898,303</u>		<u>1,350,829</u>
Capital and reserves					
Called up share capital	25	1,508,357		1,508,357	
Share premium account	27	359,500		359,500	
Profit and loss reserves	27	30,446		(517,028)	
Total equity			<u>1,898,303</u>		<u>1,350,829</u>

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

24 June 2019


K Berelowitz
Director

RICHMOND PHARMACOLOGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2017		8,357	359,500	654,110	1,021,967
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		-	-	(1,171,138)	(1,171,138)
Issue of share capital	25	1,500,000	-	-	1,500,000
Balance at 31 December 2017		1,508,357	359,500	(517,028)	1,350,829
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	547,474	547,474
Balance at 31 December 2018		1,508,357	359,500	30,446	1,898,303

RICHMOND PHARMACOLOGY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	26	1,513,401		310,934	
Interest paid		(88,847)		(81,924)	
Income taxes paid		(115,620)		(109,186)	
Net cash inflow from operating activities		1,308,934		119,824	
Investing activities					
Purchase of tangible fixed assets		(440,282)		(3,574,883)	
Proceeds on disposal of tangible fixed assets		-		418	
Interest received		13,330		14,989	
Net cash used in investing activities		(426,952)		(3,559,476)	
Financing activities					
Movement in borrowings		(104,009)		3,003,464	
Repayment of borrowings		109,342		(140,180)	
Repayment of bank loans		(109,342)		140,180	
Payment of finance leases obligations		(93,009)		(60,382)	
Net cash (used in)/generated from financing activities		(197,018)		2,943,082	
Net increase/(decrease) in cash and cash equivalents		684,964		(496,570)	
Cash and cash equivalents at beginning of year		318,622		815,192	
Cash and cash equivalents at end of year		1,003,586		318,622	

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Richmond Pharmacology Limited is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business is 1A Newcomen Street, London, United Kingdom, SE1 1YR.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value.

The financial statements present information about the company as an individual undertaking and not about its group. Since the subsidiaries are not material and have remained dormant throughout the year, the company has taken advantage of the exemption provided by section 402 of the Companies Act 2006 not to prepare group accounts.

The principal accounting policies adopted are set out below.

Going concern

The company reported a net profit after tax of £547,474 (2017: net loss after tax of £1,171,138) and has net current assets of £119,840 (2017: net current liabilities of £125,541).

In order to assess the going concern the directors have prepared cash flow forecasts for the business. Based on anticipated cash flows for at least the next 12 months from the date the accounts are signed. The directors are of the view that the going concern basis of accounting should be adopted.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and settlement discounts.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line
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Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line over the period of the lease
Plant and machinery	Straight line over 3-10 years
Fixtures, fittings and equipment	Straight line over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 and 12 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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 profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including other creditors, 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 payments discounted at a market rate of interest.

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

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Derivatives

Derivatives, including put options, are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Taxation

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical areas of estimates and judgements are discussed below:

Critical areas of estimates and judgements

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

The company uses the stage of completion method in accounting for revenue and costs in relation to contracts which are in progress at the year-end. In doing so management are required to make judgements regarding the stage of completion at the year-end, the certainty of the study's outcome and the expected costs to complete.

In estimating the fair value of the put options, the directors have made various assumptions and estimates that have been used in the Monte-Carlo valuation model.

A key estimate has been made in relation to a dilapidations provision which is detailed in note 22, and represents the best estimate of the liability that may arise on departure of the London Bridge lease when bringing the property back to its previous condition.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover analysed by class of business		
Clinical development of new pharmaceutical drugs	13,380,288	9,531,099
Delivery Income	221,886	268,652
	<u>13,602,174</u>	<u>9,799,751</u>
	2018 £	2017 £
Other revenue		
Interest income	13,330	14,989
	<u>13,330</u>	<u>14,989</u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	4,285,614	1,572,123
Europe	5,932,269	3,637,191
United States of America	1,072,320	3,306,748
Rest of the World	2,311,971	1,283,689
	<u>13,602,174</u>	<u>9,799,751</u>

4 Other operating income

Other operating income relates to research & development tax credits receivable.

5 Employees

	2018 Number	2017 Number
Clinical developers	53	42
Sales staff	46	37
Management and administration	37	40
	<u>136</u>	<u>119</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	5,948,140	4,972,831
Social security costs	651,461	530,997
Pension costs	86,518	66,391
	<u>6,686,119</u>	<u>5,570,219</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	556,926	618,589

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	218,400	210,000

No directors received retirement benefits during the year (2017: £Nil).

7 Operating profit/(loss)

	2018 £	2017 £
Operating profit/(loss) for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	28,250	34,975
Depreciation of owned tangible fixed assets	320,814	324,737
Depreciation of tangible fixed assets held under finance leases	50,742	24,186
Profit on disposal of tangible fixed assets	-	(1,901)
Amortisation of intangible assets	-	23,334
Operating lease charges	512,303	515,454

8 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	28,250	34,975

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Other interest income	13,330	14,989

10 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	8,443	1,835
Other interest on financial liabilities	41,675	39,666
	50,118	41,501
Other finance costs:		
Interest on finance leases and hire purchase contracts	38,729	40,423
	88,847	81,924

11 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	118,062	89,443
Adjustments in respect of prior periods	-	5,027
Total current tax	118,062	94,470
Deferred tax		
Origination and reversal of timing differences	(117,578)	-
Total tax charge	484	94,470

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2018	2017
	£	£
Profit/(loss) before taxation	547,958	(1,076,668)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	104,112	(207,259)
Tax effect of expenses that are not deductible in determining taxable profit	8,931	2,994
Tax effect of income not taxable in determining taxable profit	(3,356)	(6,994)
Tax effect of utilisation of tax losses not previously recognised	(118,118)	-
Adjustments in respect of prior years	-	5,027
Other non-reversing timing differences	(3,974)	-
Fixed asset timing differences	12,405	8,759
R&D Notional tax credits written off	118,062	89,443
Impact of movement in deferred tax	(117,578)	-
Losses carried forward	-	202,500
Taxation charge for the year	484	94,470

Trade losses of £5.7m (2017: £6.2m) have been incurred by the company which are available for offset against future taxable profits. The estimation of the deferred tax asset not recognised in respect of these losses, measured at a standard rate of 17% (2017: 17%) is £639k (2017: £0.9m).

No deferred tax asset has been recognised in respect of the above as in the opinion of the directors the timing and realisation of suitable taxable profits is still uncertain.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 January 2018	3,403,710	1,897,180	301,598	5,602,488
Additions	305,816	84,629	88,596	479,041
Disposals	-	(1,305)	-	(1,305)
At 31 December 2018	3,709,526	1,980,504	390,194	6,080,224
Depreciation and impairment				
At 1 January 2018	206,889	1,484,844	130,393	1,822,126
Depreciation charged in the year	227,771	85,671	58,114	371,556
Eliminated in respect of disposals	-	(1,305)	-	(1,305)
At 31 December 2018	434,660	1,569,210	188,507	2,192,377
Carrying amount				
At 31 December 2018	3,274,866	411,294	201,687	3,887,847
At 31 December 2017	3,196,821	412,336	171,205	3,780,362

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2018 £	2017 £
Fixtures, fittings and equipment	203,583	214,586

13 Intangible fixed assets

	Software £
Cost	
At 1 January 2018 and 31 December 2018	70,000
Amortisation and impairment	
At 1 January 2018 and 31 December 2018	70,000
Carrying amount	
At 31 December 2018	-
At 31 December 2017	-

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Fixed asset investments

	Notes	2018 £	2017 £
Investments in subsidiaries	16	1	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2018 & 31 December 2018	1
Carrying amount	
At 31 December 2018	1
At 31 December 2017	1

15 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	1,162,754	964,253
Corporation tax recoverable	96,648	99,090
Other debtors	936,557	944,851
Prepayments and accrued income	302,691	545,454
	2,498,650	2,553,648
Deferred tax asset (note 24)	117,578	-
	2,616,228	2,553,648

16 Subsidiaries

These financial statements are separate company financial statements for Richmond Pharmacology Limited.

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct
Prefect Limited	England and Wales	Dormant	Ordinary	100.00
Richmond Pharmaceutical Services Limited	England and Wales	Dormant	Ordinary	100.00

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Subsidiaries (Continued)

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Prefect Limited	-	1
Richmond Pharmaceutical Services Limited	-	1

The registered office of the above companies is 1a Newcomen Street, London, United Kingdom, SE1 1YR.

17 Borrowings

	2018 £	2017 £
Bank loans	88,175	192,184
Other loans	1,500,000	1,500,000
	<u>1,588,175</u>	<u>1,692,184</u>
Payable within one year	57,337	52,004
Payable after one year	<u>1,530,838</u>	<u>1,640,180</u>

Borrowings include two loans with Shawbrook Bank Limited and with Investec Asset Finance Plc. The loans both mature in July 2020 and total interest has been charged at a rate of 0.817% per month on the Investec & Shawbrook loan, and 2% plus base rate on the Ki Finance loan.

18 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Less than one year	100,770	87,418
Between one and five years	230,715	298,317
	<u>331,485</u>	<u>385,735</u>

Hire purchase creditors are secured against the assets to which they relate.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	57,337	52,004
Obligations under finance leases	18	100,770	87,418
Trade creditors		905,164	1,117,418
Other taxation and social security		490,410	283,993
Other creditors		424,374	461,659
Accruals and deferred income		1,521,919	995,319
		<u>3,499,974</u>	<u>2,997,811</u>

20 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>2,146,712</u>	<u>2,152,785</u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	247,832	265,496
Measured at amortised cost	<u>4,291,758</u>	<u>4,346,594</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

21 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	30,838	140,180
Obligations under finance leases	18	230,715	298,317
Other borrowings	17	1,500,000	1,500,000
Derivative financial instruments		247,832	265,496
		<u>2,009,385</u>	<u>2,203,993</u>

Put option

On 17 May 2016, the company granted put options to one of its shareholders which requires the company to repurchase (subject to it having sufficient distributable reserves and it complying with Part 18 of Companies Act 2016) or procure the purchase of the shareholder's shares in five tranches over five to nine years from the date of the agreement. The option period for each tranche of shares is 30 days from the relevant date.

The consideration payable on exercise of the relevant option is payable in cash and is determined based on a fixed purchase price plus 5% interest per annum less any dividends paid up to the date the put option is exercised.

The fair value of the put option at the year-end is £247,832 (2017: £265,496) which has been valued using the Monte Carlo model. The significant assumptions in respect of the model are that the volatility is 24.5% (2017: 42%) and the risk-free rate is 1.02% (2017: 1.17%).

Facilities

The company has an overdraft facility with its bankers for £70,000 with a limited guarantee given at the year end by Dr C U Lorch and Dr J Taubel. The amount outstanding at the year-end was £nil (2017: £nil). There is a fixed and floating charge over certain of the company's assets in favour of the company's bankers.

During the year the company had fixed term loans with two other financial institutions. At the year-end, the amount owed was £88,175 (2017: £192,184) of which £57,337 (2017: £52,004) is due in less than one year. Interest is charged on these loans at a rate of 0.8% per month.

Personal guarantees have been given at the year-end by Dr C U Lorch, Dr J Taubel and Mr K Berelowitz. These amounts are shown within other creditors.

During the prior year the company had a loan of £3,000,000 from a party related to one of the shareholders. During the prior year £1,500,000 of this loan was converted into preferred shares. At the year end £1,500,000 of the loan was outstanding and is to be paid back over a maximum period of 5 years. Interest will accrue at 2% plus base rate of Barclays Bank plc and will be calculated on a day-to-day basis.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Provisions for liabilities

	2018	2017
	£	£
Dilapidations provision	100,000	100,000
	<u> </u>	<u> </u>
Movements on provisions:		
		Dilapidations provision
		£
At 1 January 2018 and 31 December 2018		100,000
		<u> </u>

23 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	86,518	66,391
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount of pension commitments outstanding at the year end amounted to £Nil (2017: £24,333).

24 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets	Assets
	2018	2017
	£	£
Balances:		
Tax losses	332,458	188,991
Fixed asset timing differences	(214,880)	(188,991)
	<u> </u>	<u> </u>
	117,578	-
	<u> </u>	<u> </u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

25 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
167,140 Ordinary shares of 5p each	8,357	8,357
Preferred share capital		
Issued and fully paid		
1,500,000 Preferred shares of £1 each	1,500,000	1,500,000

Ordinary shares rank pari passu as a single class in all respects. They carry no right to fixed income and each Ordinary share entitles the owner to one vote at all general meetings of the company.

Preferred shares hold no right to receive any dividend or other distribution. The holders shall not be entitled to vote on any resolution (whether at a general meeting or by written resolution).

26 Cash generated from operations

	2018 £	2017 £
Profit/(loss) for the year after tax	547,474	(1,171,138)
Adjustments for:		
Taxation charged	484	94,470
Finance costs	88,847	81,924
Investment income	(13,330)	(14,989)
Amortisation and impairment of intangible assets	-	23,334
Depreciation and impairment of tangible fixed assets	371,556	348,923
Other gains and losses	(17,664)	(36,893)
(Decrease)/increase in provisions	-	100,000
Movements in working capital:		
Decrease/(increase) in debtors	52,556	(58,959)
Increase in creditors	483,478	944,262
Cash generated from operations	1,513,401	310,934

27 Reserves

Share premium

The share premium reserve represents amounts received for shares over and above their nominal value.

Profit and loss reserves

Profit and loss reserves represent retained earnings net of distributions to owners.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

28 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2018	2017
	£	£
Within one year	415,000	55,125
Between two and five years	1,660,000	-
In over five years	3,737,000	-
	<u>5,812,000</u>	<u>55,125</u>

The company's previous operating lease expired in February 2018. Rent was being paid on an ad hoc basis until the company agreed as lease in April 2018.

