

Company Registration No. 04269261 (England and Wales)

RICHMOND PHARMACOLOGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The company made a net profit of over a £1m (2019: £1.6m) and an EBITDA of £1.6m for the FY2020 (2019: £1.9m). Due to the SARS-CoV-2 pandemic, 2020 was a difficult year for the business, the clinic was in state of lockdown in April and May, with June being a remobilisation month. Activity was stymied due to the 30% reduction in bed capacity, due to social distancing protocols. Despite these impediments, the business managed to exceed previous year gross revenue and make a net profit of over £1m (2019: £1.6m). However, profitability was reduced, due to the costs of the SARS-CoV-2 protocols in place, such as high frequency testing of all staff, volunteers, third parties and PPE costs. Due to SARS-CoV-2 protocols optimal staff deployment was not possible, which also resulted in higher costs. The company, despite the increased costs and national and local lockdowns did not need to borrow any monies, instead it managed costs and revenues diligently, making use of the government support measures to successfully navigate this very difficult period.

The Company have been established at its new clinical location for over four years. This has positively impacted the turnover in 2020 reaching £18.7m (from £17.9m in 2019), an increase of £718k over the previous financial year. The directors report an EBITDA (Profit before tax, interest, depreciation, and amortisation) of £1.6m (2019: £1.9m) and a net profit of £1m (2019: £1.6m). The operating loss of £117k or -0.6% of turnover (2019: profit of £568k or 3.2% of turnover) was before Research and Development tax credits. The net assets increased to £4.5m from £3.5m in 2019, this was a result of the net profit for 2020. Research and Development tax credits amounted to £1,182,385 (2019: £898,365).

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 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 73% (2019: 65%) 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.

The Company would contemplate a symbiotic acquisition, however, given the uncertain nature of SARS-CoV-2 this is not foreseen in the short term. Ensuring the business continues to successfully manage the impact of this pandemic on the business, is the key priority.

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. The management have implemented robust SARS-CoV-2 protocols including the regular testing (antigen and antibody) of staff, volunteers, 3rd parties and built up a stockpile of PPE to cover planned demand for the next 12 months.

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 small number of suppliers whom we pay in Euros, but the level of payments is typically, minimal.

RICHMOND PHARMACOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

Brexit risk

We have not detected adverse impact on sales, in relation to Brexit thus far. We continue to monitor the on-going Brexit risk and assessing any impact that these may have on the business in both the short, medium and long term. We have mitigated some risk with the creation of the German subsidiary.

Covid-19

The management have implemented robust SARS-CoV-2 protocols including the regular testing (antigen and antibody) of staff, volunteers, 3rd parties and built up a stockpile of PPE to cover planned demand for the next 12 months. The business continuously performs risk assessments to ensure it is managing on-going SARS-CoV-2 risks.

Key performance indicators

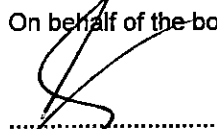
	2020	2019
Turnover	£18,658,088	£17,940,516
Gross Margin	23%	32%
Gross Profit	£4,364,777	£5,694,952
EBITDA	£1,565,947	£1,938,637
Profit before tax	£1,019,235	£1,622,691
Research and Development tax credits	£1,182,385	£898,365
Operating (loss)/profit excluding Research and Development tax credits	(£117,309)	£568,343
Operating (loss)/profit excluding Research and Development tax credits as a percentage of turnover	(0.6%)	3.2%

RICHMOND PHARMACOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board



K Berelowitz
Director

Date: 05 AUG 2021

RICHMOND PHARMACOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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 9.

No ordinary dividends were paid (2019: £nil). The directors do not recommend payment of a final dividend.

No dividends on preferred shares were paid (2019: £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 certain 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


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K Berelowitz
Director

05 AUG 2021

RICHMOND PHARMACOLOGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 which comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, statement of cashflows and notes to the financial statements, including 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 2020 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

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

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 or the directors' 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, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations, including claims made under the Coronavirus Job Retention Scheme (CJRS). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities, reviewing CJRS claims made and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to MHRA (Medicine and Healthcare products Regulatory Agency) accreditation. We performed audit procedures to inquire of management whether the company is in compliance with these regulations and inspected relevant documentation in respect to the accreditation.

The audit engagement team identified the risk of management override of controls and revenue recognition as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, testing revenue to supporting documentation and assessing judgments applied to the stage of completion of contracts, to ensure revenue has been correctly recognised.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.

RSM UK Audit LLP

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

6 August 2021

RICHMOND PHARMACOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	18,658,088	17,940,516
Cost of sales		(14,293,311)	(12,245,564)
Gross profit		4,364,777	5,694,952
Administrative expenses		(4,939,999)	(5,126,609)
Other operating income	4	1,640,298	898,365
Operating profit	7	1,065,076	1,466,708
Interest receivable and similar income	9	12,334	15,415
Interest payable and similar expenses	10	(58,175)	(74,103)
Other gains and losses		-	214,671
Profit before taxation		1,019,235	1,622,691
Tax on profit	11	(423)	(65,302)
Profit for the financial year		1,018,812	1,557,389

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 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	12	4,111,051		3,848,907	
Investments	14	22,613		21,343	
		<u>4,133,664</u>		<u>3,870,250</u>	
Current assets					
Debtors	16	4,067,541		2,814,543	
Cash at bank and in hand		2,615,161		2,352,569	
		<u>6,682,702</u>		<u>5,167,112</u>	
Creditors: amounts falling due within one year	19	<u>(4,760,829)</u>		<u>(3,654,361)</u>	
Net current assets		<u>1,921,873</u>		<u>1,512,751</u>	
Total assets less current liabilities		<u>6,055,537</u>		<u>5,383,001</u>	
Creditors: amounts falling due after more than one year	22	(1,481,033)		(1,827,309)	
Provisions for liabilities	21	<u>(100,000)</u>		<u>(100,000)</u>	
Net assets		<u><u>4,474,504</u></u>		<u><u>3,455,692</u></u>	
Capital and reserves					
Called up share capital	25	1,508,357		1,508,357	
Share premium account	28	359,500		359,500	
Profit and loss reserves	28	2,606,647		1,587,835	
Total equity		<u><u>4,474,504</u></u>		<u><u>3,455,692</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 5 August 2021 and are signed on its behalf by:

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K Berelowitz
Director

05 AUG 2021

RICHMOND PHARMACOLOGY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019	1,508,357	359,500	30,446	1,898,303
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	1,557,389	1,557,389
Balance at 31 December 2019	1,508,357	359,500	1,587,835	3,455,692
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	1,018,812	1,018,812
Balance at 31 December 2020	1,508,357	359,500	2,606,647	4,474,504

RICHMOND PHARMACOLOGY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	26	304,403		1,469,608	
Interest paid		(58,175)		(74,103)	
Income taxes refunded		957,732		503,315	
Net cash inflow from operating activities		1,203,960		1,898,820	
Investing activities					
Purchase of tangible fixed assets		(573,015)		(388,329)	
Proceeds on disposal of tangible fixed assets		-		5,043	
Purchase of subsidiaries		-		(21,342)	
Interest received		12,334		15,415	
Net cash used in investing activities		(560,681)		(389,213)	
Financing activities					
Repayment of borrowings		-		(225,000)	
Payment of bank loans		(255,837)		-	
Repayment of bank loans		-		167,662	
Payment of finance leases obligations		(124,850)		(103,286)	
Net cash used in financing activities		(380,687)		(160,624)	
Net increase in cash and cash equivalents		262,592		1,348,983	
Cash and cash equivalents at beginning of year		2,352,569		1,003,586	
Cash and cash equivalents at end of year		2,615,161		2,352,569	

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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, 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 directors have prepared detailed trading and cash flow projections through to September 2022. For 2021 and 2022, the directors have forecast continued growth in turnover and profits. The COVID-19 pandemic has been managed very well, studies continued with the implementation of robust COVID-19 protocols including the regular testing of staff, volunteers, 3rd parties and the build-up of a stockpile of PPE. The company returned to pre-Covid levels of revenue after some of the UK lockdown restrictions were lifted, from August 2020 onwards. Revenue has been consistent and continue to grow. The directors have reflected this in the forecast, and are anticipating a small increase in 2021 revenue and profit versus 2020. Profits and positive cash flows are expected to September 2022 with no additional debt or utilisation of facilities.

Consequently, the directors have a reasonable expectation that the Company has adequate resources to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. They have therefore concluded that there is no material uncertainty about the ability of the Company to continue as a going concern and that it remains appropriate to continue to prepare the financial statements on a going concern basis.

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 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 2020

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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Software is fully amortised at the year end.

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 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 at bank.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' 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 2020

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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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.

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.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

Stage of completion of contracts

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.

Depreciation

The Company exercises judgement to determine useful lives and residual values of tangible fixed assets. Assets are depreciated down to their estimated residual values over their estimated useful lives.

Trade debtors

The Company closely reviews the outstanding trade debtors, also considering ageing, payment history and credit risk coverage. Specific and general bad debt allowances recognized are based on management's best estimates at the balance sheet date.

Provisions

A key estimate has been made in relation to a dilapidations provision which is detailed in note 21, and represents managements best estimate of the liability that may arise on departure of the London Bridge lease when bringing the property back to its previous condition.

Deferred Tax

The Company has recognized net deferred tax assets of £443,484 (Note 24). Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. In recognising deferred tax asset management have made an estimate to the probability of the asset being recoverable based on anticipated future taxable profits.

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Clinical development of new pharmaceutical drugs	18,642,600	17,727,696
Delivery Income	15,488	212,820
	<u>18,658,088</u>	<u>17,940,516</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue (Continued)

	2020 £	2019 £
Other revenue		
Interest income	12,334	15,415
	<u>12,334</u>	<u>15,415</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	4,975,196	5,918,193
Europe	1,863,087	4,623,458
United States of America	8,917,378	7,077,834
Rest of the World	2,902,427	321,031
	<u>18,658,088</u>	<u>17,940,516</u>

4 Other operating income

Other operating income relates to research & development tax credits receivable £1,182,385 (2019: £898,365) and the grant received from government in relation to the Coronavirus Job Retention scheme for £457,913 (2019: nil).

5 Employees

	2020 Number	2019 Number
Clinical operations	72	64
Management of studies and volunteer recruitment	64	51
Management and administration	50	49
	<u>186</u>	<u>164</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	8,150,934	7,258,166
Social security costs	859,097	805,140
Pension costs	227,407	185,395
	<u>9,237,438</u>	<u>8,248,701</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2020**

6 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	642,684	635,395

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

	2020	2019
	£	£
Remuneration for qualifying services	238,031	237,801

No directors received retirement benefits during the year (2019: £Nil).

7 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(1,270)	904
Government grants	(457,913)	-
Fees payable to the company's auditor for the audit of the company's financial statements	33,500	30,000
Depreciation of owned tangible fixed assets	437,988	396,934
Depreciation of tangible fixed assets held under finance leases	62,883	55,753
Profit on disposal of tangible fixed assets	-	(488)
Operating lease charges	412,089	575,842

8 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	33,500	30,000
For other services		
All Other non-audit services	27,300	25,700

9 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Other interest income	12,334	15,415

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	4,173	4,209
Other interest on financial liabilities	31,887	41,250
	<u>36,060</u>	<u>45,459</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	22,115	28,644
	<u>58,175</u>	<u>74,103</u>

11 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	223,827	167,416
Adjustments in respect of prior periods	3,274	(2,886)
Total current tax	<u>227,101</u>	<u>164,530</u>
Deferred tax		
Origination and reversal of timing differences	(197,515)	(98,827)
Changes in tax rates	(25,891)	-
Adjustment in respect of prior periods	(3,272)	(401)
Total deferred tax	<u>(226,678)</u>	<u>(99,228)</u>
Total tax charge	<u>423</u>	<u>65,302</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Taxation (Continued)

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

	2020	2019
	£	£
Profit before taxation	<u>1,019,235</u>	<u>1,622,691</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	193,655	308,311
Tax effect of expenses that are not deductible in determining taxable profit	1,479	2,068
Benefit of losses not previously recognised for deferred tax purposes	(332,350)	(306,695)
Other permanent differences	2,109	1,767
Under/(over) provided in prior years	3,274	(2,886)
Deferred tax adjustments in respect of prior years	(3,272)	(401)
Fixed asset timing differences	14,813	15,463
R&D tax credits	223,827	65,117
Adjust deferred tax to average rate	-	(24,455)
Other tax adjustments	(172)	7,013
Remeasurement of deferred tax for changes in tax rates	(64,992)	-
Additional deduction for R&D expenditure	(37,948)	-
Taxation charge for the year	<u>423</u>	<u>65,302</u>

Trade losses of £3.9m (2019: £4.4m) 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 19% (2019: 17%) is £nil (2019: £332k).

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 January 2020	3,879,972	2,125,126	446,383	6,451,481
Additions	194,989	561,274	6,752	763,015
Disposals	-	(203,910)	(33,256)	(237,166)
At 31 December 2020	4,074,961	2,482,490	419,879	6,977,330
Depreciation and impairment				
At 1 January 2020	675,173	1,665,186	262,215	2,602,574
Depreciation charged in the year	255,393	166,346	79,132	500,871
Eliminated in respect of disposals	-	(203,910)	(33,256)	(237,166)
At 31 December 2020	930,566	1,627,622	308,091	2,866,279
Carrying amount				
At 31 December 2020	3,144,395	854,868	111,788	4,111,051
At 31 December 2019	3,204,799	459,940	184,168	3,848,907

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

	2020 £	2019 £
Fixtures, fittings and equipment	300,443	173,326

13 Intangible fixed assets

	Software £
Cost	
At 1 January 2020 and 31 December 2020	70,000
Amortisation and impairment	
At 1 January 2020 and 31 December 2020	70,000
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	15	22,613	21,343

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2020	21,343
Foreign exchange revaluation	1,270
At 31 December 2020	22,613
Carrying amount	
At 31 December 2020	22,613
At 31 December 2019	21,343

15 Subsidiaries

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

Details of the company's subsidiaries at 31 December 2020 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 (1)	Dormant	Ordinary	100.00
Richmond Pharmaceutical Services Limited	England and Wales (1)	Dormant	Ordinary	100.00
Richmond Pharmacology GmbH	Germany (2)	Dormant	Ordinary	100.00

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	1
Richmond Pharmaceutical Services Limited	1	1
Richmond Pharmacology GmbH	(5,838)	9,271

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15 Subsidiaries (Continued)

The registered office of the above entities is as referenced below:

- (1) - 1a Newcomen Street, London, United Kingdom, SE1 1YR
- (2) - Kennedyallee 101, 60596 Frankfurt am Main

16 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	934,056	1,339,144
Corporation tax recoverable	100,359	102,807
Other debtors	1,108,920	734,316
Prepayments and accrued income	1,480,722	421,470
	<u>3,624,057</u>	<u>2,597,737</u>
	2020	2019
	£	£
Amounts falling due after more than one year:		
Deferred tax asset (note 24)	443,484	216,806
	<u>443,484</u>	<u>216,806</u>
Total debtors	<u>4,067,541</u>	<u>2,814,543</u>

17 Borrowings

	2020	2019
	£	£
Bank loans	-	255,837
Other loans	1,275,000	1,275,000
	<u>1,275,000</u>	<u>1,530,837</u>
Payable within one year	300,000	255,837
Payable after one year	975,000	1,275,000
	<u>1,275,000</u>	<u>1,530,837</u>

Bank loans included two loans with Shawbrook Bank Limited and Investec Asset Finance Plc. The loans matured in July 2020 and were repaid during the year. Other loan is with Ki finance (party related to one of the shareholders) is payable back over a maximum period of 5 years. Interest will accrue at 2% plus base rate on this loan.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

18 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Less than one year	150,727	102,773
Between one and five years	172,595	155,399
	<u>323,322</u>	<u>258,172</u>

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

19 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans	17	-	255,837
Obligations under finance leases	18	150,727	102,773
Other borrowings	17	300,000	-
Trade creditors		1,105,840	990,241
Taxation and social security		337,599	399,371
Derivative financial instruments		33,161	-
Other creditors		30,314	30,314
Accruals and deferred income		2,803,188	1,875,825
		<u>4,760,829</u>	<u>3,654,361</u>

20 Financial instruments

	2020 £	2019 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	<u>33,161</u>	<u>33,161</u>

21 Provisions for liabilities

	2020 £	2019 £
Dilapidations provision	<u>100,000</u>	<u>100,000</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

21 Provisions for liabilities (Continued)

Movements on provisions:

	Dilapidations provision £
At 1 January 2020 and 31 December 2020	100,000

22 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Obligations under finance leases	18	172,595	155,399
Other borrowings	17	975,000	1,275,000
Derivative financial instruments		-	33,161
Other creditors		333,438	363,749
		<u>1,481,033</u>	<u>1,827,309</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 2006) 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 £33,161 (2019: £33,161) which has been valued using the Monte Carlo model. Management believes that there is no significant change to the fair value calculated in the prior year.

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, Dr J Taubel and K Berelowitz. The amount outstanding at the year-end was £nil (2019: £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 £nil (2019: £30,837) of which £nil (2019: £30,837) 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.

At the year end the Company had a loan outstanding of £1,275,000 (2019: £1,500,000) from a party related to one of the shareholders. Loan repayments commenced in May 2020 at a rate of 5% of the principal loan and continuing each quarter. 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 2020

23 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>227,407</u>	<u>185,395</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 £47,917 (2019: £37,915).

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 2020 £	Assets 2019 £
Balances:		
Losses and other deductions	749,899	452,894
Short term timing differences	34,194	-
Fixed asset timing differences	<u>(340,609)</u>	<u>(236,088)</u>
	<u>443,484</u>	<u>216,806</u>
Movements in the year:		2020 £
(Asset) at 1 January 2020		(216,806)
Credit to profit or loss		<u>(226,678)</u>
(Asset) at 31 December 2020		<u>(443,484)</u>

The deferred tax asset set out above relates to the utilisation of the losses against future expected profits of the same period.

From 1 April 2020, the substantially enacted rate of corporation tax will remain at 19%. Deferred tax has been calculated using a rate of 19%, being the enacted rate of corporation tax applicable at the year end.

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

25 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
167,140 Ordinary shares of 5p each	8,357	8,357
	<u> </u>	<u> </u>
Preferred share capital		
Issued and fully paid		
1,500,000 Preferred shares of £1 each	1,500,000	1,500,000
	<u> </u>	<u> </u>

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

	2020 £	2019 £
Profit for the year after tax	1,018,812	1,557,389
Adjustments for:		
Taxation charged	423	65,302
Finance costs	58,175	74,103
Investment income	(12,334)	(15,415)
Gain on disposal of tangible fixed assets	-	(488)
Depreciation and impairment of tangible fixed assets	500,871	452,687
Foreign exchange gains on investment	(1,270)	-
Other gains and losses	-	(214,671)
R&D tax credit	(1,182,385)	(898,365)
Movements in working capital:		
(Increase)/decrease in debtors	(1,028,768)	131,433
Increase in creditors	950,879	317,633
	<u> </u>	<u> </u>
Cash generated from operations	304,403	1,469,608
	<u> </u>	<u> </u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

27 Analysis of changes in net funds

	1 January 2020 £	Cash flows £	Other non- cash changes £	31 December 2020 £
Cash at bank and in hand	2,352,569	262,592	-	2,615,161
Borrowings excluding overdrafts	(1,530,837)	255,837	-	(1,275,000)
Obligations under finance leases	(258,172)	124,850	(190,000)	(323,322)
	<u>563,560</u>	<u>643,279</u>	<u>(190,000)</u>	<u>1,016,839</u>

28 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.

29 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:

	2020 £	2019 £
Within one year	415,000	415,000
Between two and five years	1,660,000	1,660,000
In over five years	2,905,000	3,320,000
	<u>4,980,000</u>	<u>5,395,000</u>

RICHMOND PHARMACOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

30 Related party transactions

At the year end, the company had a loan of £1,275,000 (2019: £1,500,000) from a shareholder. The key terms of the facility are given in Note 22.

There was a management charge associated with the loan charged during the year of £31,887 (2019: £41,250), and interest charged of £31,887 (2019: £41,250).

Amounts owed by the directors at the year end amounted to £364,387 (2019: £363,484) and are included in other debtors. A provision of £364,387 (2019: £363,484) has been made against these amounts, which is also included in other debtors.

Interest of £12,334 (2019: £15,415) was charged on the balance owed. Interest is charged at a rate of 3.5% on the balance owed. Repayments of £10,829 (2019: £22,119) were made during the year.

31 Control

There is no ultimate controlling party.