**Quotient Sciences Limited**

# Annual report and financial statements

Registered number 05221615

31 December 2021

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## Company information

| | |
|---|---|
| **Directors** | M Egerton<br>D Glass (appointed May 18th, 2022) |
| **Secretary** | G Cameron (resigned May 18th, 2022) |
| **Auditor** | KPMG LLP<br>St Nicholas House<br>Park Row<br>Nottingham NG1 6FQ |
| **Bankers** | HSBC Bank plc<br>8 Canada Square<br>London E14 5HQ |
| **Solicitors** | Latham & Watkins<br>99 Bishopsgate<br>London EC2M 3XF |
| **Registered Office** | Trent House<br>Mere Way<br>Ruddington Fields Business Park<br>Ruddington<br>Nottingham NG11 6JS |
| **Company registered number** | 05221615 |

## Strategic report

### Business review

Set out below is summary financial information for the Company for the year ended 31 December 2021, together with comparable financial information for the prior 9-month period ended 31 December 2020. The differing lengths of each reporting period are as a result of the change in accounting period end. As a result, the two periods are not directly comparable, however some of the key financial metrics are shown below. The financial statements have been prepared under FRS102:

| | **Year ended 31 December 2021** | 9 months period ended 31 December 2020 |
|---|---|---|
| Gross turnover | **£70.6m** | £44.8m |
| Less: pass-through turnover | **£11.6m** | £6.8m |
| Net revenue (Turnover excluding pass-through revenue) | **£59.0m** | £38.0m |
| Trading EBITDA* | **£22.7m** | £12.2m |
| *Trading EBITDA margin %*** | **38.5%** | 32.1% |

* *Earnings before interest, tax, depreciation, amortisation, adjusted items, intercompany management charges and foreign exchange movements on inter-company loans, as calculated per the table below.*
** *EBITDA margin % Expressed as % of Trading EBITDA, as calculated per table below to Net revenue (Turnover excluding pass-through revenue)*

| | **Year ended 31 December 2021 £'000** | 9 months period ended 31 December 2020 £'000 |
|---|---|---|
| Operating profit | **15,925** | 3,687 |
| Add back: adjusted items (see note 4) | **985** | 488 |
| Depreciation (see note 11) | **2,051** | 1,462 |
| Amortisation – Intangible Assets (see note 10) | **500** | 318 |
| Amortisation and impairment – Goodwill (see note 10) | **1,329** | 3,685 |
| Inter-company management charge | **2,060** | 1,352 |
| Foreign exchange effect of revaluation of inter-company loans | **(115)** | 1,182 |
| **Trading EBITDA** | **22,735** | **12,174** |

Trading performance in the year ended 31 December 2021 showed a marked improvement over 2020. In 2020, certain of our operations were temporarily halted due to COVID-19 whilst we put in place measures to ensure that all employees and clinical trial volunteers were able to operate in a safe working environment. This enabled to us to recommence operations, and volumes have now returned close to pre-COVID levels and have continued to grow as we learn to work within the constraints of the pandemic.

Demand for the Company's services, in particular for its differentiated Translational Pharmaceutics™ service offering, remained strong during the year. Year-on-year (YoY) growth in new orders won was 13%, and YoY growth in revenue was 21% (when comparing comparable 12 month periods in 2021 and 2020. Trading EBITDA profit margins improved from 32.1% to 38.5%. The backlog of contracted work going into 2022 was at record levels.

## Strategic report *(continued)*

Translational Pharmaceutics offers a unique approach to early drug development, via the integration of pharmaceutical formulation development, GMP manufacture and GCP clinical testing capabilities. This unique offering was supplemented during the year, with the acquisition of Arcinova, which added capability to manufacture drug substance and carry out bioanalytical testing as part of the overall service offering. This combination offers many advantages over conventional approaches to drug development, including proven reductions in timelines and cost.

The growth in demand for the Company's services also resulted in continued investment in key infrastructure to support that growth. The average number of employees increased from 532 to 555 and the Company continues to make further investments in its facilities to meet the increasing demand from its customers.

The Company monitors several other key performance indicators across all of its businesses relating to, inter alia, quality, responsiveness, and client satisfaction. These indicators are not, however, meaningfully quantifiable.

### Political and charitable contributions

The company made no political contributions during the current period or prior year. Donations to UK charities amounted to £320 (*year ended 31 December 2020: £1,083*).

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy is subject to a number of risks. Interest rate, currency and liquidity risks are managed at a group level rather than at a company level.

The key business risks and uncertainties affecting the Company include competitor actions, market acceptance of new products and regulatory developments.

COVID-19 impacted the business from March 2020 with a high level of uncertainty and risk. The risk has reduced for both the Group and the global economy, with the successfully roll out of vaccines. This combined with various measures taken internally to reduce operational risk has allowed us to increase volumes back to pre-COVID levels, as we learn to work within the constraints of the pandemic.

Further discussion of these risks in the context of the Group as a whole, together with impact of COVID-19 and a description of the Group's financial risk management objectives and policies, is in the Directors' Report of Quad UK Topco Limited, which does not form a part of this report.

## Strategic report *(continued)*

### Environment, Social and Governance

The Group strives to continuously improve its performance in the environmental, social and governance (ESG) areas. This is of fundamental importance to the Group, as the Directors believe that a safe and sustainable environment is essential to continued business sustainability and profitability.

The Directors consider that the most important ESG issues facing the business are:

1. Environmental and Social Impact: The Group believes there is some opportunity to reduce energy consumption across the sites and is currently monitoring this;
2. Health & Safety: The Group believes that none of the people that it works or interacts with (e.g. employees, contractors, clients, visitors or volunteers) should suffer any harm as a result of its work;
3. Staff development: an extensive internal training and development programme is in place which provides opportunities for all employees to learn new skills and progress their careers;
4. Regulatory compliance: operating in a highly regulated industry continually presents the Group with a unique set of challenges to ensure smooth business operations.

A number of initiatives have been implemented to support Group ESG activities including quarterly ESG meetings, an electric vehicle lease scheme, the establishment of a global Diversity and Inclusion Team and carbon footprint reporting for the Group.

### Climate Change

Quotient Sciences Limited falls under scope of the UK Streamlined Energy and Carbon Reporting (SECR) framework. Emissions reported here comply with the SECR guidelines published by BEIS (2019) and include consumption and GHG emissions for UK electricity and gas use, as well as road transportation for business travel purposes (i.e. fuel cards, hire cars, personal cars, and fleet vehicles).

This GHG assessment has been conducted in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, ISO 14064:2018 series, and the published Environmental Reporting Guidelines by BEIS (2019). GHG emission factors relating to the 2020 reporting year are sourced from Defra/BEIS' 2020 UK GHG Conversion Factors for Company Reporting (July 2020). The data provided below relates to calendar year 2020. SECR data for calendar year 2021 is currently being calculated and will be available in the next Annual Report.

### SECR Energy and Emissions reporting

| Source | 2020 | Unit |
|---|---|---|
| **Energy Consumption (Activity Data)** | | |
| Mains gas | 520,261.0 | kWh |
| Owned/ Leased vehicles | 7,892.4 | kWh |
| Purchased electricity | 3,129,292.7 | kWh |
| Hire cars | 55,999.3 | kWh |
| Employee-owned cars | 139,116.8 | kWh |
| **GHG Emissions** | | |
| Mains gas (Scope 1) | 95.7 | tCO2e |
| Owned/ Leased vehicles (Scope 1) | 1.9 | tCO2e |
| Purchased electricity market based (Scope 2) | 873.1 | tCO2e |
| Hire cars (Scope 3) | 12.8 | tCO2e |
| Employee-owned cars (Scope 3) | 31.9 | tCO2e |
| Total Emissions | 1,015.4 | tCO2e |
| Emissions per FTE | 1.9 | tCO2e /FTE |

## Strategic report *(continued)*

### Section 172(1) statement

Context

The Companies Miscellaneous Reporting Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders, which will have an impact on the long-term success of the company.

This S172 statement explains how Quotient's Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to Quotient, and the level of information disclosed is consistent with the size and the complexity of the business.

### General confirmation of Directors' duties

Quotient's Board of Directors has a clear framework for determining the matters within its remit, including certain financial and strategic thresholds for matters that require Board consideration and approval, and the matters that are delegated to the Executive Management team, and to its Board Committees, including the Audit Committee and the Remuneration Committee.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole. In doing so, the Directors have regard (among other matters) to the following key items:

### S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the changing regulatory landscape concerning pharmaceutical R&D and manufacturing. The strategy set by the Board is intended to strengthen our current position as a leading drug development services business, but also ensure that we remain differentiated in our service offering, such that we are able to achieve long-term sustainable growth e.g., our Translational Pharmaceutics platform offers a unique approach to drug development, and we continue to broaden its adoption by the industry.

In 2019, to help achieve the company's strategic ambitions, the Board approved a Value Creation Plan (VCP) to further focus on developing Quotient's long-term value creation projects. This is designed to ensure alignment across the Board and wider business on the priorities for long-term growth and decision-making. It covers a wide range of organisational, commercial and operational matters.

## Strategic report *(continued)*

### S172(1) (B) "The interests of the company's employees"

The Directors recognise that Quotient employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees, ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment. The Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. We also invest in, and place great emphasis on, training and development of our employees. We communicate in an open, honest manner with employees via Town Hall meetings, newsletters and site meetings and encourage open feedback from employees at all times.

We are also supporting a new Diversity and Inclusion initiative designed to ensure that our culture is accepting and accommodating of people's differences.

Quotient has established Employee Forums at each site, which consist of management and employee representatives, who help identify and lead implementation of opportunities to enhance our ESG programs and relationships with employees.

### S172(1) (C) "The need to foster the company's business relationships

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and other stakeholders – these include regulators, participants in our clinical trials and the local community. Quotient carefully considers the nature of the relationship, our ability to meet our obligations and the standards of behaviour that should be applied.

Quotient has a very strong customer focus, but also understands that the best service we can offer our customers is to deliver the best value. We strive to be agile and responsive to our customer needs. We work hard to deliver a "One Customer; One Business Experience", to ensure that a customer receives the highest level of service, no matter which site, department or employee they are dealing with. We proactively seek feedback from every customer to enable us to establish levels of customer satisfaction, as well as areas for further improvement

Quotient operates an Approved Suppliers list which imposes controls on who we engage to supply the business. This outlines criteria which is ultimately aimed at facilitating relationships, commercial terms and compliance where relevant. We aim to partner with suppliers that meet the group's product specifications, provide consistent and reliable supply, and comply with its social and environmental standards. We also collaborate with suppliers on developing innovative products and on ensuring the supply chain is as efficient as possible.

We work closely and openly with our regulators to ensure that we meet our regulatory and statutory requirements and work transparently with them to provide evidence of our compliance'.

### S172(1) (D) "The impact of the company's operations on the community and the environment"

Environmental, social and corporate governance (ESG) is extremely important to Quotient and is a mandatory requirement of our majority shareholder. Quotient has an ESG agenda, which includes environmental, societal and workforce engagement performance indicators.

The Board is updated regularly by the ESG Group on progress towards achieving the high ESG standards we set ourselves. The ESG Group meets regularly to promote activities related to charitable fundraising, health and safety, anti-bribery and corruption, energy and greenhouse gas emissions and employer brand awareness.

## Strategic report *(continued)*

**S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"**

Quotient aims to meet its objectives in ways which are economically, environmentally and socially responsible. Quotient has adopted policies and training on areas such as the Ethical Reporting, Conflicts of Interest and Anti-Bribery and Corruption, as well as complying with Modern Slavery reporting requirements, to ensure that its high standards are maintained both within Quotient businesses and the business relationships we maintain. This help assure its decisions are taken and that Quotient companies act in ways that promote high standards of business conduct.

**S172(1) (F) "The need to act fairly as between members of the company"**

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate. And that a strong culture, embedded across the whole business, is a key to building a strong organisation.

The Board has established several behavioural competencies to which all of our employees should adhere and aspire. These are monitored as part of each employee's personal performance reviews

The Board considers regular Engagement Surveys to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to Quotient. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen Quotient culture and values.

On Behalf of the Board

**D Glass**
*Director*

13 June 2022

## Directors' report

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the Financial Year directors' and officers' liability insurance in respect of itself and its Directors.

The directors present their report and financial statements for the year ended 31 December 2021.

**Principal activities**

The principal activity of the Company is the provision of research and development services to pharmaceutical and biotechnology customers.

**Change in accounting period**

These financial statements cover the year ended 31 December 2021, with comparable financial information shown for the previous 9-month period ended 31 December 2020. As a result, the two periods are not directly comparable.

**Results and dividends**

The operating profit for the year amounted to £15,925,000 *(period ended 31 December 2020: £3,687,000).* The retained profit, before dividends, for the period amounted to £13,385,000 *(period ended 31 December 2020: £2,107,000).*

**Going concern**

The Directors have prepared the financial statements on the going concern basis, as they do not intend to liquidate the Company or to cease its operations. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 12 months from the date of approval of the financial statements. To support this, the Directors have prepared cash flow forecasts over that period which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

**Directors**

The directors who served the company during the year were as follows:

M Egerton
D Glass

**Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board:

**D Glass**
*Director*

13 June 2022

## Statement of directors' responsibilities in respect of the strategic report, the directors' report, and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

## Independent auditor's report to the members of Quotient Sciences Limited

### Opinion

We have audited the financial statements of Quotient Sciences Limited ("the company") for the period ended 31 December 2021 which comprise the Profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

KPMG

## Independent auditor's report to the members of Quotient Sciences Limited
*(continued)*

**Fraud and breaches of laws and regulations – ability to detect** *(continued)*

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected account combinations.
- Selecting revenue contracts to test based on risk criteria, vouching that revenue was appropriately recognised based on the stage of completion of the contracts, and that accrued and deferred income were calculated appropriately.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law, and regulatory requirements recognising the pharmaceutical nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

KPMG

## Independent auditor's report to the members of Quotient Sciences Limited
*(continued)*

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

KPMG

## Independent auditor's report to the members of Quotient Sciences Limited
*(continued)*

### The purpose of our audit work and to whom we owe our responsibilities

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.

Anthony Hambleton

**Anthony Hambleton** (Senior Statutory Auditor)

*for and on behalf of KPMG LLP, Statutory Auditor*
*Chartered Accountants*
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: 15 June 2022

## Profit and loss account
***for year ended 31 December 2021***

| | *Note* | **31 December 2021 £000** | 9 months ended 31 December 2020 £000 |
|---|---|---|---|
| **Turnover** | *3* | **70,573** | 44,763 |
| Cost of sales | | **(34,114)** | (22,143) |
| **Gross profit** | | **36,459** | 22,620 |
| Distribution costs | | **(1,532)** | (1,474) |
| Administrative expenses | | **(18,017)** | (16,971) |
| Adjusted items | *4* | **(985)** | (488) |
| **Operating profit** | | **15,925** | 3,687 |
| Income from fixed asset investments | | **-** | 2,543 |
| Other interest receivable and similar expenses | *7* | **2,807** | 1,732 |
| Interest payable and similar expenses | *8* | **(2,197)** | (2,924) |
| Impairment of investments | *12* | **-** | (2,145) |
| **Profit before taxation** | | **16,535** | 2,893 |
| Tax on profit | *9* | **(3,150)** | (786) |
| **Profit for the financial year** | | **13,385** | 2,107 |

The accompanying Notes form an integral part of the Financial Statements.

# Balance sheet
***at 31 December 2021***

| | *Note* | **2021 £000** | **31 Dec 2021 £000** | 2020 £000 | 31 Dec 2020 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *10* | **17,370** | | 18,172 | |
| Tangible assets | *11* | **9,452** | | 8,997 | |
| Investments | *12* | **77,675** | | - | |
| | | | **104,497** | | 27,169 |
| **Current assets** | | | | | |
| Stocks | *13* | **228** | | 162 | |
| Debtors | *14* | **59,256** | | 47,408 | |
| Cash at bank and in hand | *15* | **8,360** | | 5,825 | |
| | | **67,844** | | 53,395 | |
| **Creditors:** amounts falling due within one year | *16* | **(44,642)** | | (35,006) | |
| **Net current assets** | | | **23,202** | | 18,389 |
| **Total assets** | | | **127,699** | | 45,558 |
| **Creditors:** amounts falling due after more than one year | *17* | | **(5,647)** | | (5,541) |
| **Provisions for liabilities** | | | | | |
| Deferred tax liability | *19* | | **(1,322)** | | (977) |
| Dilapidations | *19* | | **(259)** | | (259) |
| **Net assets** | | | **120,471** | | 38,781 |
| **Capital and reserves** | | | | | |
| Called up share capital | *21* | | **7,216** | | 6,533 |
| Share premium account | *21* | | **82,050** | | 14,428 |
| Own share reserve | *21* | | **(69)** | | (69) |
| Profit and loss account | | | **31,074** | | 17,689 |
| Other reserves | | | **200** | | 200 |
| **Shareholders' funds** | | | **120,471** | | 38,781 |

These financial statements were approved by the board of directors on 13 June 2022 and were signed on its behalf by:

**D Glass**
*Director*

Company registered number: 5221615

The accompanying Notes form an integral part of the Financial Statements.

## Statement of changes in equity

| | Called up share capital £000 | Share premium account £000 | Own share reserve £000 | Profit and loss account £000 | Other Reserves £000 | Total Equity £000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2020 | **6,533** | **14,428** | **(69)** | **15,582** | **200** | **36,674** |
| **Total comprehensive income for the period** | | | | | | |
| Profit | - | - | - | **2,107** | - | **2,107** |
| **Balance at 31 December 2020** | **6,533** | **14,428** | **(69)** | **17,689** | **200** | **38,781** |

| | Called up share capital £000 | Share premium account £000 | Own share reserve £000 | Profit and loss account £000 | Other Reserves £000 | Total Equity £000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | **6,533** | **14,428** | **(69)** | **17,689** | **200** | **38,781** |
| **Total comprehensive income for the year** | | | | | | |
| Profit | - | - | - | 13,385 | - | 13,385 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Issue of shares | 683 | 67,622 | - | - | - | 68,305 |
| **Balance at 31 December 2021** | **7,216** | **82,050** | **(69)** | **31,074** | **200** | **120,471** |

# Notes
***(Forming part of the financial statements)***

## 1 Accounting policies

Quotient Sciences Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England and Wales. The registered number is 05221615 and the registered address is Trent House, Mere Way, Ruddington Fields Business Park, Ruddington, Nottinghamshire, NG11 6JS.

The Company is exempt by virtue of s.400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Quad UK Topco Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Quad UK Topco Limited are prepared in accordance with FRS 102, are available to the public and may be obtained from the Company Secretary at Trent House, Mere Way, Ruddington, Nottingham, NG11 6JS. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Quad UK Topco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### *1.1. Measurement convention*

The financial statements are prepared on the historical cost basis, except that Foreign Exchange forward contracts are stated at their fair market value.

### *1.2. Going concern*

The directors have prepared detailed cashflow forecasts for the period ending 31 December 2023, which indicate that the Company has sufficient liquidity, such that it is able to continue to meet its liabilities as they fall due.

In making their assessment the Directors have also considered the forecasts of the wider group headed by Quad UK Topco Limited, with which the company Quotient Sciences Limited is party to a group banking arrangement. The Directors are satisfied that these group forecasts support the going concern status of that group.

Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period, and the directors therefore continue to adopt the going concern basis in preparing these financial statements.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

### *1.3. Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### *1.4. Classification of financial instruments issued by the Company*

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### *1.5. Basic financial instruments*

*Trade and other debtors/creditors*

Trade and other debtors/creditors are recognised initially at transaction price less/plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

***Other financial instruments***

*Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

# Notes _(continued)_

## 1 Accounting policies _(continued)_

### _1.6. Tangible fixed assets_

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| Fixtures and fittings | - 8 years |
| Plant and machinery | - 8 years |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

### _1.7. Business combinations_

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

**Intra-group business transfers**

The transfer of trade and assets from other subsidiaries in the Quad UK Topco Limited group is accounted for by applying merger accounting. The book values are taken as the net assets recorded in the ultimate parent company accounts.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.8. Intangible assets*

*Software*

Under FRS102, software is capitalised as an intangible asset and amortised over its estimated useful life, which is typically deemed to be three years.

*Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

*Amortisation*

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

### *1.9. Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

### *1.10. Impairment excluding stocks and deferred tax assets*

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.10. Impairment excluding stocks and deferred tax assets (continued)*

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### *1.11. Employee benefits*

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### *1.12. Turnover*

Recognition of service revenue is primarily based on the completion of fixed price contracts. Revenue on fixed price contracts vary in term from a few days to greater than a year, with the majority of such contracts having a term of 6-12 months. On a monthly basis, management reviews the percentage of completion on these contracts in relation to the total estimated effort to complete the contract. As a result of the monthly reviews, revisions in estimated effort to complete the contract are reflected in the period in which the change became known. These judgments and estimates are not expected to result in a change that would materially affect the reported results. In some cases, a portion of the contract fee is paid at the time the study is initiated. These advances are deferred and recognised as revenue as services are performed. Conversely, in some cases, revenue is recorded based on the level of service performed in advance of billing the customer with the offset to accrued income.

The Company also provides managed services to its customers in the capacity of principal, the revenue from which is classed as 'pass through' revenue. The Company is acting as a principal as it has exposure to the significant risks and rewards associated with the rendering of services, has the primary responsibility for providing the services to the customer or for fulfilling the order, carries inventory risk before or after the customer order, during shipping or on return, has latitude in establishing prices and bears the customer's credit risk for the amount receivable from the customer.

Product revenue is recorded when persuasive evidence of an arrangement exists, delivery has occurred, the risks and rewards have passed to the customer, the price to the buyer is fixed or determinable and collectability is reasonably assured.

### *1.13. Expenses*

*Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Interest receivable and Interest payable*

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

### *1.14. Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

### *1.15. Adjusted Items*

The company identifies items that are non–recurring in the normal course of its trading activities, are considered exceptional and are therefore adjusted in reaching the trading EBITDA the directors use to measure on going performance of the business.

## Notes _(continued)_

### 3 Turnover

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Rendering of services | **58,935** | 37,965 |
| Pass through revenue | **11,638** | 6,798 |
| Total turnover | **70,573** | 44,763 |

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| United Kingdom | **10,230** | 8,620 |
| Rest of Europe | **16,807** | 9,126 |
| Rest of World | **43,536** | 27,017 |
| | **70,573** | 44,763 |

## Notes *(continued)*

### 4 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Research & Development Expenditure Credit | **3,384** | 2,417 |

The Company is entitled to claim Research & Development Credits ("RDEC") under the UK Government's policy to encourage investment in Research & Development. The Group makes claims as a large company under HMRC definitions, which provides a credit of 13% of Qualifying R&D expenditure. Of the total RDEC amount claimed, 81% is received as a cash payment, and 19% is received as a credit against current or future corporation tax charges.

The following items have been recorded as adjusted items:

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Re-branding | **194** | - |
| Post-acquisition business review expenses | **637** | - |
| Covid-19 testing | **154** | 488 |
| | **985** | 488 |

The Company incurred costs associated with testing laboratory staff and clinical trial volunteers for Covid-19 in the period. Following the acquisition of Arc Trinova Limited, the Company undertook a one-off exercise in conjunction with external consultants to review the Group business to identify potential profitability improvements across the Group of Companies. The cost has been summarised under Post-acquisition business review and has been incurred on behalf of the Group. Re-branding costs related to design, launch, professional fee, and other ancillary costs related to the re-branding of newly acquired company Arc Trinova Limited to Quotient Sciences (Alnwick) Limited under the Quotient Sciences brand.

## Notes *(continued)*

*Auditor's remuneration:*

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Audit of these financial statements | **60** | 58 |

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Quad UK Topco Limited.

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | Year ended 31 Dec 2021 | 9 months ended 31 Dec 2020 |
| Laboratory based | **431** | 413 |
| Office and management | **124** | 119 |
| | **555** | 532 |

The aggregate payroll costs of these persons were as follows:

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Wages and salaries | **21,390** | 14,830 |
| Social security costs | **2,064** | 1,367 |
| Contributions to defined contribution plans *(note 20)* | **988** | 658 |
| | **24,442** | 16,855 |

# Notes *(continued)*

## 6 Directors' remuneration

The directors holding office in the current financial year are not remunerated by the Company. They are remunerated by another group company Quad UK Midco 2 Limited. The Directors do not believe that it is practical to apportion this remuneration between their services as directors of the Company and their services as directors of other Quad UK Topco group undertakings.

Directors' remuneration for Quad UK Topco Limited:

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Aggregate remuneration in respect of qualifying services | **541** | 392 |
| Aggregate employer pension contributions | **5** | 7 |

The aggregate remuneration of the highest paid director was £267,000 *(period ended 31 December 2020: £218,000)* and company pension contributions of £5,000 *(period ended 31 December 2020: £7,000)* were made to a money purchase scheme on his behalf.

## 7 Interest receivable and similar income

| | Year ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Bank interest receivable | **-** | 5 |
| Interest receivable from Group undertakings | **2,807** | 1,727 |
| Total interest receivable and similar income | **2,807** | 1,732 |

## 8 Interest payable and similar expenses

| | Year ended 31 Dec 2021 | 9 months ended 31 Dec 2020 |
|---|---|---|
| Bank interest payable | **951** | 1,480 |
| Interest payable to group undertakings | **1,140** | 926 |
| Amortisation of Deferred Funding | **106** | 518 |
| Total other interest payable and similar expenses | **2,197** | 2,924 |

## Notes *(continued)*

### 9 Taxation

**Total tax expense recognised in the profit and loss account**

| | Year ended 31 Dec 2021 £000 | 2021 £000 | 9 months ended 31 Dec 2020 £000 | 2020 £000 |
|---|---|---|---|---|
| *Current tax* | | | | |
| Current tax on income for the year/period | **1,733** | | 712 | |
| Group relief payable | **906** | | - | |
| Adjustments in respect of prior periods corporation tax | **165** | | 143 | |
| Total current tax | | **2,804** | | 855 |
| *Deferred tax (note 21)* | | | | |
| Origination and reversal of timing differences | **23** | | (5) | |
| Adjustments in respect of prior periods | **11** | | (64) | |
| Change in tax rate | **312** | | - | |
| Total deferred tax | | **346** | | (69) |
| Total tax | | **3,150** | | 786 |

### 9 Taxation *(continued)*

**Reconciliation of effective tax rate**

| | Year Ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Profit for the year | **13,385** | 2,107 |
| Total tax expense | **3,150** | 786 |
| Profit excluding taxation | **16,535** | 2,893 |
| Tax using the UK corporation tax rate of 19% *(2020: 19%)* | **3,142** | 549 |
| Non-deductible expenses | **24** | 71 |
| Income not taxable for tax purposes | - | (553) |
| R&D expenditure credits | **(46)** | 18 |
| Adjustments to tax charge in respect of previous periods | **165** | 143 |
| Fixed asset differences | **311** | 700 |
| Investment impairment not taxable | - | 408 |
| Adjustments to tax charge in respect of previous periods - deferred tax | **11** | (64) |
| Change in tax rate on deferred tax balances | **300** | - |
| Deferred tax not recognised | **(91)** | (81) |
| Group relief claimed for less than tax rate | **(666)** | (405) |
| Total tax expense included in profit and loss | **3,150** | 786 |

## Notes *(continued)*

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2020: 19%).

### 10 Intangibles

| | Software £000 | Goodwill £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2021 | 2,902 | 29,668 | 32,570 |
| Additions | 1,027 | - | 1,027 |
| Balance at 31 December 2021 | 3,929 | 29,668 | 33,597 |
| **Amortisation and impairment** | | | |
| Balance at 1 January 2021 | 1,870 | 12,528 | 14,398 |
| Amortisation for the year | 500 | 1,329 | 1,829 |
| Impairment for the year | - | - | - |
| Balance at 31 December 2021 | 2,370 | 13,857 | 16,227 |
| **Net book value** | | | |
| **At 31 December 2021** | **1,559** | **15,811** | **17,370** |
| At 31 December 2020 | 1,032 | 17,140 | 18,172 |

*Amortisation charge*

The amortisation and impairment charges are recognised in the following line items in the profit and loss account:

| | Year Ended 31 Dec 2021 £000 | 9 months ended 31 Dec 2020 £000 |
|---|---|---|
| Administrative expenses | **1,829** | 4,003 |

The remaining goodwill included above relates to the acquisition of the trade and assets of the Quotient Sciences business in December 2013. The goodwill arising thereon is being amortised over its estimated useful life of 20 years.

## Notes *(continued)*

### 11 Tangible fixed assets

| | Fixtures and fittings £000 | Plant and machinery £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2021 | 8,852 | 10,771 | 19,623 |
| Additions | 1,588 | 918 | 2,506 |
| Balance at 31 December 2021 | 10,440 | 11,689 | 22,129 |
| **Depreciation and impairment** | | | |
| Balance at 1 January 2021 | 5,292 | 5,334 | 10,626 |
| Depreciation charge for the year | 802 | 1,249 | 2,051 |
| Balance at 31 December 2021 | 6,094 | 6,583 | 12,677 |
| **Net book value** | | | |
| **At 31 December 2021** | **4,346** | **5,106** | **9,452** |
| At 31 December 2020 | 3,560 | 5,437 | 8,997 |

### 12 Fixed asset investments

| | Shares in group undertakings £000 |
|---|---|
| ***Cost*** | |
| At 1 January 2021 | |
| Investment in Quotient Sciences (Reading) Ltd | - |
| **Additions** | |
| Investment in Quotient Sciences (Alnwick) Ltd | 77,675 |
| ***Net book value*** | |
| **At 31 December 2021** | **77,675** |
| At 31 December 2020 | - |

## Notes *(continued)*

*Quotient Sciences (Reading) Limited*

With effect from 1 April 2019, the Company acquired the business and assets of Quotient Sciences (Reading) Limited for its net asset value of £2,145,000. Following this the remaining investment in Quotient Sciences (Reading) Limited was written down to its recoverable amount of £2,145,000. In December 2020 the value of investment in Quotient Sciences (Reading) Limited was further written down to £1, which represents the value of assets of Quotient Sciences (Reading) Limited as at 31 December 2021.

*Quotient Sciences (Alnwick) Limited*

On 11 February 2021, the Company acquired 100% of the share capital of Quotient Sciences (Alnwick) Limited, (formerly Arc Trinova Limited, trading as Arcinova) for consideration of £70,000,000, as a part of the consideration the Company repaid existing Loans of £5,285,000 and incurred acquisition cost of £2,390,000.

The main activity of Quotient Sciences (Alnwick) Limited is provision of contract development and manufacturing services to the pharmaceutical industry.

The Company has the following direct investments in subsidiaries:

| | **Country of incorporation** | **Principal activity** | **Class of shares held** | **Ownership 31 Dec 2021 %** | **Ownership 31 Dec 2020 %** |
|---|---|---|---|---|---|
| Co-Formulate Limited | United Kingdom | In Liquidation | Ordinary | **100** | 100 |
| Quotient Sciences (Reading) Limited | United Kingdom | In Liquidation | Ordinary | **100** | 100 |
| Quotient Sciences (Alnwick) Limited | United Kingdom | Drug Development Services | Ordinary | **100** | - |

The registered office for the UK subsidiaries is Trent House, Mere Way, Ruddington Fields Business Park, Ruddington Nottingham NG11 6JS.

# Notes _(continued)_

## 13 Stocks

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| Raw materials and consumables | **228** | 162 |

## 14 Debtors

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| Trade debtors | **9,097** | 9,846 |
| Amounts owed by group undertakings | **34,893** | 24,080 |
| Amount receivable in relation to the RDEC | **1,901** | 3,484 |
| Prepayments | **2,019** | 2,311 |
| Accrued income | **11,346** | 7,687 |
| | **59,256** | 47,408 |
| Due within one year | **59,256** | 47,408 |
| Due after more than one year | **-** | - |
| | **59,256** | 47,408 |

## 15 Cash and cash equivalents

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| Cash at bank and in hand | **8,360** | 5,825 |

## Notes *(continued)*

### 16 Creditors: amounts falling due within one year

| | Note | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|---|
| Trade creditors | | **2,602** | 3,588 |
| Taxation and social security | | **1,041** | 1,269 |
| Other creditors | | **1,217** | 276 |
| Accruals | | **4,677** | 3,536 |
| Deferred income | | **19,634** | 16,543 |
| Amounts owed to group undertakings | *18* | **15,471** | 9,794 |
| | | **44,642** | 35,006 |

### 17 Creditors: amounts falling after more than one year

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| Acquisition facility | **6,025** | 6,025 |
| Issue costs (less amortisation) | **(378)** | (484) |
| | **5,647** | 5,541 |

The Company has a Revolving Facility of £15 million. Interest on the Revolving Facility is payable at LIBOR plus 4.00%. The Revolving Facility was undrawn at 31 December 2021 and 31 December 2020.

The Company has an Acquisition Facility of £35 million, £6,025,000 of which was drawn at the balance sheet date and is repayable by October 2026. Interest on the Acquisition facility is payable at LIBOR plus 6.00%. Both the Revolving Facility and the Acquisition Facility are secured by debentures containing fixed and floating charges over the assets of the Quad UK Topco group of companies, of which the Company is a wholly owned subsidiary.

### 18 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| **Creditors falling due within less than one year** | | |
| Amounts due to group undertakings | **15,471** | 9,794 |
| Acquisition Facility | **6,025** | 6,025 |

The amounts payable to group undertakings currently incur a 10% annual rate of interest and are repayable on demand. As such, they are classified within creditors due in less than one year. Details of the interest and maturity of the Acquisition Facility are given in note 17.

## Notes *(continued)*

### 19 Provisions for liabilities

***Deferred tax***

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **31 Dec 2021 £000** | **31 Dec 2020 £000** | **31 Dec 2021 £000** | **31 Dec 2020 £000** | **31 Dec 2021 £000** | **31 Dec 2020 £000** |
| Accelerated capital allowances | - | - | **977** | 1,057 | **977** | 1,057 |
| Other short-term timing differences | - | (80) | **346** | - | **346** | (80) |
| Tax (assets) / liabilities | - | (80) | **1,323** | 1,057 | **1,323** | 977 |
| Net tax (assets) / liabilities | - | (80) | **1,323** | 1,057 | **1,323** | 977 |

The Company has an unrecognised deferred tax asset of £73,000 *(31 December 2020: £163,000).*

***Provisions***

| | Dilapidations £000 | Total £000 |
|---|---|---|
| Balance at 1 January 2021 | 259 | **259** |
| Provisions made during the year | - | - |
| Amounts utilised during the year | - | - |
| **Balance at 31 December 2021** | **259** | **259** |

### 20 Employee benefits

**Defined contribution plans**

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £988,000 *(period ended 31 December 2020: £658,000).*

## Notes *(continued)*

### 21 Capital and reserves

| *Share capital* | Ordinary shares Number |
|---|---|
| In issue at 1 January 2021 – fully paid | **653,292,527** |
| Shares issued in the year – fully paid | **68,304,907** |
| In issue at 31 December 2021 | **721,597,434** |

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 721,597,434 *(31 December 2020: 653,292,527)* Ordinary shares of £0.01 each | **7,216** | 6,533 |
| Shares classified in shareholders' funds | **7,216** | 6,533 |
| | **7,216** | 6,533 |

*Share premium account*

408,026 'A' ordinary shares of £0.01 each were issued at £1.00 per share, giving rise to a share premium of £0.99 per share, amounting to £403,946. These shares were re-designated as Ordinary shares of £0.01 each in 2013.

Pursuant to a refinancing in May 2017, the Company issued one new Ordinary share of £0.01 to Watch Bidco Limited. The one new Ordinary share was issued at £14,024,144 per share giving rise to a share premium of £14,024,144.

In February 2021 the company issued 68,304,907 new Ordinary shares of £0.01 to Quad UK Bidco Limited. The 68,304,907 new Ordinary shares were issued at £1.00 per share giving rise to a share premium of £67,621,857

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| Share premium account (Ordinary Shares) | **82,050** | 14,428 |

*Company reserve for own shares*

These relate to shares previously allocated to an Employee Benefit Trust in 2005 and reserved for issue to employees. The Trust no longer holds any of the shares.

## Notes *(continued)*

### 22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 31 Dec 2021 £000 | 31 Dec 2020 £000 |
|---|---|---|
| Less than one year | **1,658** | 1,439 |
| Between one and five years | **4,741** | 4,448 |
| More than five years | **3,782** | 3,223 |
| | **10,181** | 9,110 |

During the year £1,439,000 was recognised as an expense in the profit and loss account in respect of operating leases *(period ended 31 December 2020: £1,125,000).*

### 23 Commitments

*Capital commitments*

The Company contractual commitments to purchase tangible fixed assets at the balance sheet date were £1,905,000 *(31 December 2020: £694,000).*

### 24 Related parties

*Identity of related parties with which the Company has transacted*

As the Company is a wholly owned subsidiary of Quad UK Topco Limited, the Company has taken advantage of the exemption in FRS 102 not to disclose transactions with other wholly owned members of the Group.

### 25 Ultimate parent company and parent company of larger group

The Company's immediate parent company is Quad UK Bidco Limited, and ultimate parent company is Quad UK Topco Limited, a company incorporated in UK. The ultimate controlling party is SixPlatform IX Limited, a private company, limited by shares an incorporated in England and Wales. The registered office is 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD.

The largest group in which the results of the Company are consolidated is that headed by Quad UK Topco Limited, a company incorporated in the UK. The consolidated financial statements of Quad UK Topco Limited are available to the public and may be obtained from the Company Secretary at Trent House, Mere Way, Ruddington, Nottingham, NG11 6JS.

## Notes *(continued)*

### 26 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. These judgments and estimates are not expected to result in a change that would materially affect the reported results

i) Revenue recognition

Note 1.12 outlines the Company's accounting policy for revenue recognition. As the Company's business involves long-term contracts, the Company is continually reviewing the status of each project and estimated time and cost to complete the project. These estimates require experience and knowledge on the part of the Company's employees to make as accurate an estimate as is reasonably practicable. The contracts include elements where the work is sub-contracted to third parties, and from which pass-through revenue is generated. This revenue is recognised as principal given that there is no contract formed between the sub-contractor and the end customer, and the Company retains all pricing and credit risk.