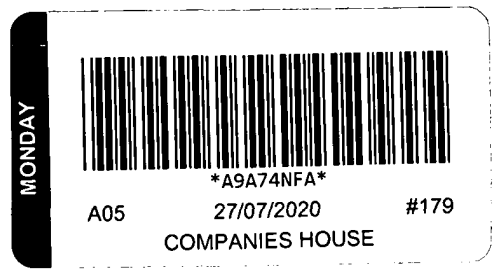


**PAREXEL MMS Europe Limited**  
**Annual Report and Financial Statements for the year**  
**ended 30 June 2019**

*(Registered Number: 01488517)*



## PAREXEL MMS Europe Limited

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### ANNUAL REPORT AND FINANCIAL STATEMENTS for the year ended 30 June 2019

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## PAREXEL MMS Europe Limited

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### COMPANY INFORMATION

**DIRECTORS** Michael Francis Crowley III (U.S)  
Paul Joseph Armstrong (U.S) appointed on 1 May 2020

**SECRETARY** Michael Francis Crowley III (U.S)

**REGISTERED OFFICE** c/o Lawrence Young Ltd  
Hart House  
Priestley Road  
Basingstoke  
Hampshire  
RG24 9PU  
United Kingdom

**BANKERS** JP Morgan Chase Bank N.A.  
Chaseside  
Bournemouth  
BH7 7DB  
United Kingdom

**INDEPENDENT AUDITORS** Deloitte Ireland LLP  
Chartered Accountants and Statutory Audit Firm  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2  
Ireland

**SOLICITORS** Gowling WLG (UK) LLP  
4 More London Riverside  
London  
SE1 2AU  
United Kingdom

**REGISTERED NUMBER** 01488517

## PAREXEL MMS Europe Limited

### STRATEGIC REPORT for the year ended 30 June 2019

The directors present their strategic report for the year ended 30 June 2019.

#### REVIEW OF THE BUSINESS

The Company's overall activities during the year was providing clinical communication services to pharmaceutical companies involved in the research and development of new medical compounds, prior to them achieving a product marketing license.

The key financial indicators during the year were as follows:

	2019 £'000	2018 £'000	Change %
Turnover	21,397	20,092	6
Operating (loss) / profit	(1,087)	763	(242)
(Loss) / profit after tax	(880)	591	(249)
Shareholders' funds	4,300	5,088	(15)
Current assets as % of current liabilities	189%	157%	20
Average number of employees	99	106	(7)
Trade debtors	3,093	3,535	(13)
Accruals	609	843	(28)
Provisions for liabilities	13	148	(91)
Non-current assets	344	187	84

The results for the year are set out on page 12. The directors consider the results achieved from ordinary activities before taxation, the Company's financial position at the end of the year and its future prospects to be satisfactory.

The loss for the year after taxation amounted to £880,000 (2018: Profit £591,000). The directors do not recommend payment of a dividend (2018: nil).

Turnover was higher as compared with the prior year. Cost of sales and administrative expenses were also higher resulting in a net decrease of £1,850,000 in operating profit.

## PAREXEL MMS Europe Limited

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STRATEGIC REPORT (continued)  
for the year ended 30 June 2019

### REVIEW OF THE BUSINESS (continued)

In the opinion of the directors, the Company's position is sustainable due to continued focus on growth of new client accounts. In addition, MMS continues to focus on change in scope management as well as maintenance of a flexible infrastructure model in some key areas to allow better alignment to revenue forecasts.

As part of the budgetary process, certain Key Performance Indicators around areas such as debtors, accruals, and deferred income are set in order to effectively manage the working capital of the Company. In addition, project, productivity and capacity metrics were reported in order to assist in the management of profitability improvements. These are reviewed on a monthly basis and appropriate actions taken as required.

As part of the operational review of the business, management actively monitors the progress of backlog which is a factor of new business wins less cancellations and revenue recognised.

The outlook of the Company remains positive as the Company hopes to increase profitability through its cost improvement plans and by converting its backlog to deliver long-term sustainable growth in margins and revenues.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Company's operations expose it to a variety of risks. If any of the following risks occur, our business, financial condition, or results of operations would likely suffer.

- **THE LOSS, MODIFICATION, OR DELAY OF LARGE OR MULTIPLE CONTRACTS**

The loss, modification, or delay of large or multiple contracts may negatively impact the Company's operating results; our clients and the Parent Group's clients that we support generally can terminate their contracts with us upon 30 to 60 days' notice or can delay the execution of services.

In order to mitigate these risks our priority is to further build upon our leadership position in the marketplace and deliver high-quality services to our clients as they continue to evolve and change. We are working to capitalise on our strong global footprint, to expand our portfolio of strategic partnerships, and to continue increasing our business with small and emerging biopharma companies. At the same time, we will continue to pursue growth through acquisitions.

- **FIXED PRICE NATURE OF CONTRACTS**

Majority of the Company's contracts are fixed price. Failure to adequately price contracts or cost overruns can have an effect on operating results. Management closely monitor the running of trials to ensure they are in line with budgets and targets.

- **CHANGES IN GOVERNMENTAL REGULATIONS**

Failure to comply with government regulations could result in the termination of ongoing research, development of sales and marketing projects, or the disqualification of data for submission to regulatory authorities.

- **CURRENCY RISK**

The Company has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency. Potential exposures to foreign currency exchange rate movements are monitored, reviewed monthly and appropriate actions are taken to manage net open foreign currency positions.

## PAREXEL MMS Europe Limited

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### STRATEGIC REPORT (continued) for the year ended 30 June 2019

- *CREDIT RISK*

There is a risk of financial loss to the Company arising from the failure of the Company's customers to meet their financial obligations for the services provided by the Company.

- *OTHER RISKS*

The success of the Company's business depends on its ability to mitigate the potential impact of COVID-19 on future year's operations and results of operations and how recent events may impact current and future judgements and estimates inherent in financial reporting. The Company is currently monitoring the global impact of COVID-19 and will continue to assess any potential impacts to the Company's business.

The Company manages this situation through credit control procedures and management are of the view that the risk is at an acceptable level.

#### *RECRUITMENT OF QUALIFIED EMPLOYEES*

The success of the Company's business depends on its ability to attract and retain qualified professional, and technical staff. The Company believes that its brand name recognition and its multinational presence, which allows for international transfers, are an advantage in attracting employees. In addition, the Company believes the wide range of clinical trials in which it participates allows the Company to offer broad experience to clinical researchers.

#### *FUTURE DEVELOPMENTS*

There are no material changes expected for the Company through 2020 and 2021, although uncertainty remains as a result of the global COVID-19 pandemic.

By order of the Board

DocuSigned by:

*Paul J. Armstrong*

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Paul Joseph Armstrong  
Director

Date 23 July 2020

## PAREXEL MMS Europe Limited

### **DIRECTORS' REPORT** for the year ended 30 June 2019

The directors present their report and audited financial statements for the year ended 30 June 2019. Financial risk management policies and objectives are included in the strategic report.

#### ***FUTURE DEVELOPMENTS***

Details on future developments can be found in the Strategic Report on page 5.

#### ***GOING CONCERN***

The financial statements have been prepared on a going concern basis as West Street Topco Limited, a 100% shareholder either directly or indirectly in the Company, has confirmed to the directors that it (i) has evaluated the potential impact of the COVID-19 pandemic through the date these financial statements are being issued and have concluded that it has sufficient cash and available liquidity to continue as a going concern and (ii) it will provide support to enable the Company to continue in operation for the foreseeable future, being not less than twelve months from the date of approval of these financial statements. PAREXEL MMS Europe Limited will draw on funds available as required. Accordingly, the directors have determined that it is appropriate to prepare these financial statements on a going concern basis.

#### ***POST BALANCE SHEET EVENTS***

In March 2020, the spread of the novel coronavirus began to cause business disruptions for the Parent Group and many of this Group's customers and vendors including global patient site closures which are leading to a reduction in our site based monitoring revenue as well as delays in starting up new studies. The Group has taken a series of actions aimed at safeguarding the Group's employees and business associates, including implementing a work-at-home policy. In addition we have initiated several proactive cost management strategies and cash conservation initiatives, including organizational and operating model efficiencies, hiring restrictions, reductions in third-party costs, delaying some capital expenditures, and extending the maturity and lowering our commitment fees associated with our receivables financing facility as well as other cost savings initiatives aimed at preserving cash. While the COVID-19 related disruptions are currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

#### ***RESEARCH***

The Company undertook research and development activities in providing clinical communication services to the pharmaceutical industry amounting to £17,648,000 (2018: £15,535,000).

#### ***DIVIDENDS***

The Company did not propose, declare or pay any dividends during the year (2018: £nil).

#### ***DIRECTORS***

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

Michael Francis Crowley III (U.S)

Duncan Jamie Macdonald (U.S) – resigned 30 April 2019

Joseph Edward Scott (U.S) – appointed on 30 April 2019, resigned on 1 May 2020

Directors of the Company who resigned post 30 June 2019 but before approval of the financial statements were as follows:

Joseph Edward Scott (U.S) – resigned 1 May 2020

## PAREXEL MMS Europe Limited

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### DIRECTORS' REPORT (continued) for the year ended 30 June 2019

#### *DIRECTORS (continued)*

Directors of the Company appointed post 30 June 2019 but before approval of the financial statements were as follows

Paul Joseph Armstrong (U.S.) – appointed 1 May 2020

None of the directors who held office at the end of the financial year or to the date of the approval of the financial statement had any disclosable interest in the shares of the Company.

#### *DIRECTORS QUALIFYING THIRD PARTY INDEMNITY PROVISIONS*

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

#### *POLITICAL AND CHARITABLE CONTRIBUTIONS*

The Company made no political or charitable donations or incurred any political expenditure during the year.

#### *DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS*

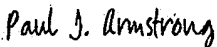
Each of the persons who is a director at the date of approval of this report confirms that:

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

#### *AUDITORS*

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm were appointed during the financial year. A resolution to reappoint Deloitte Ireland LLP, will be proposed at the forthcoming Annual General Meeting.

DocuSigned by:



Paul Joseph Armstrong  
Director

Date: 23 July 2020

## PAREXEL MMS Europe Limited

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### DIRECTORS' RESPONSIBILITIES STATEMENT for the year ended 30 June 2019

The directors are responsible for preparing the Strategic Report, 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) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 and loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable 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; and
- 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 to 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.

DocuSigned by:

*Paul J. Armstrong*

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Paul Joseph Armstrong  
Director

Date 23 July 2020



**Independent auditor's report to the members of  
PAREXEL MMS Europe Limited**

Deloitte Ireland LLP  
Chartered Accountants &  
Statutory Audit Firm

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of PAREXEL MMS Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.



**Independent auditor's report to the members of  
PAREXEL MMS Europe Limited**

**Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the 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.

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity's (or where relevant, the consolidated) financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's (or where relevant, the group's) internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's (or where relevant, the group's) ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

# Deloitte.

## **Independent auditor's report to the members of PAREXEL MMS Europe Limited**

### **Report on other legal and regulatory requirements**

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

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 any material misstatements in the directors' report.

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

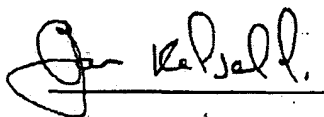
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or

We have nothing to report in respect of these matters.

#### **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.



Ian Kelsall (Statutory Auditor)  
For and on behalf of Deloitte Ireland LLP  
Dublin, Ireland

23 July 2020

**PAREXEL MMS Europe Limited**

**INCOME STATEMENT**  
for the year ended 30 June 2018

		2019 £'000	2018 £'000
Turnover	3	21,397	20,092
Cost of sales		<u>(17,631)</u>	<u>(14,527)</u>
<b>Gross profit:</b>		3,766	5,565
Administrative expenses:		<u>(4,853)</u>	<u>(4,802)</u>
<b>Operating (loss) / profit</b>	4	(1,087)	763
Interest receivable and similar income	6	30	11
Interest payable and similar cost	7	<u>(38)</u>	<u>(18)</u>
<b>(Loss) / profit on ordinary activities before taxation</b>		(1,095)	756
Tax on (loss) / profit on ordinary activities	8	<u>215</u>	<u>(165)</u>
<b>(Loss) / profit for the financial year</b>		<u>(880)</u>	<u>591</u>

All activities are derived from continuing operations.

There are no other gains and losses in the current or preceding year and as such no statement of comprehensive income has been presented.

## PAREXEL MMS Europe Limited

### STATEMENT OF FINANCIAL POSITION at 30 June 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Tangible fixed assets	10	344	187
		<u>344</u>	<u>187</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	11	6,461	8,691
Debtors: Amounts falling due after one year	11	384	195
Cash at bank and in hand		1,478	4,805
		<u>8,323</u>	<u>13,691</u>
Creditors: Amounts falling due within one year	12	(4,207)	(8,596)
<b>Net current assets</b>		<u>4,116</u>	<u>5,095</u>
<b>Total assets less current liabilities</b>		<u>4,460</u>	<u>5,282</u>
Creditors: Amounts falling due after one year	12	(147)	(46)
Provision for liabilities	13	(13)	(148)
<b>Net assets</b>		<u>4,300</u>	<u>5,088</u>
<b>Capital and reserves</b>			
Share capital presented as equity	14	10	10
Share premium		108	108
Retained earnings		4,182	4,970
<b>Total equity</b>		<u>4,300</u>	<u>5,088</u>

The financial statements of Parexel MMS Europe Limited (Registered number: 01488517) were approved by the board of directors on 23 July 2020 and were signed on its behalf by:

DocuSigned by:

*Paul J. Armstrong*

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Paul Joseph Armstrong  
Director

## PAREXEL MMS Europe Limited

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2019

	Share capital presented as equity £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
<b>At 1 July 2017</b>	10	108	4,379	4,497
Profit for the financial year	-	-	591	591
<b>At 30 June 2018</b>	10	108	4,970	5,088
Adjustment from the adoption of IFRS 15 (see Accounting Policies 2a and 3)	-	-	189	189
Adjustment from the adoption of IFRS 9 (see Accounting Policies 2a and 11)	-	-	(97)	(97)
<b>Adjusted balance at 1 July 2018</b>	10	108	5,062	5,180
Loss for the financial year	-	-	(880)	(880)
<b>At 30 June 2019</b>	10	108	4,182	4,300

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

#### 1. STATEMENT OF COMPLIANCE WITH FRS 101

PAREXEL MMS Europe Limited is a limited Company incorporated in the UK. The Registered Office is c/o Lawrence Young Ltd, Hart House, Priestley Road, Basingstoke, Hampshire, RG24 9PU.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and in accordance with applicable accounting standards. The principal accounting policies adopted by the Company are set out in note 2. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The financial statements are prepared on a going concern basis.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The results of PAREXEL MMS Europe Limited are included in the consolidated financial statements of West Street Topco Limited, incorporated in Jersey, The Channel Islands. The financial statements are available from West Street Topco Limited, 13-14 Esplanade, St Helier, Jersey JE11EE, Jersey.

#### 2. ACCOUNTING POLICIES

##### (a) Application of new and revised International Financial Reporting Standards (IFRSs).

For the year ended 30 June 2019, the Company has adopted and applied IFRS 9 Financial Instruments. IFRS 9 replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement, relating to the classification and measurement of financial instruments. IFRS 9 contains three classification categories for financial assets; (i) measured at amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit or loss. Thus, the standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9.7.2.15 and IFRS 9.7.2.26, comparative figures have not been restated.

The total impact on the retained earnings as at 1 July 2018 is as follows:

Closing retained earnings 30 June 2018	4,970
(Increase) in expected credit loss provision	(97)
Opening retained earnings 1 July 2018 (After IFRS 9 adjustment)	4,873

The opening retained earnings adjustment is as a result of the change in the measurement of expected credit losses. The company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and other trade receivables. This resulted in an increase in the provision raised to the value of £97,000.

The company elected to adopt International Financial Reporting Standard ('IFRS') 15 – *Revenue from Contracts with Customers* and all related amendments ('new revenue standard' or 'IFRS 15') on July 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for the year ended June 30, 2019 reflect the application of IFRS 15, while the reported results for the year ended June 30, 2018 were prepared under IAS 18 – *Revenue Recognition* and other authoritative guidance in effect for those periods. For the year ended 30 June 2019, there is a £189,000 impact to the Company's financial statements resulting from the adoption of IFRS 15. Refer to note 3 in Notes to the Financial Statements.

## PAREXEL MMS Europe Limited

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### NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 30 June 2019

#### 2. ACCOUNTING POLICIES (*continued*)

##### (b) *Basis of preparation*

The accounting policies which follow set out those accounting policies which apply in preparing the financial statements for the year ended 30 June 2019. The Company has taken advantage of the following disclosure exemptions availed under FRS 101:

- the requirements of paragraph in paragraph 38 of IAS1 *Presentation of Financial Statements* to present comparative information in respect of:
  - (i) paragraph 79(a) (iv) of IAS 1 *Presentation of Financial Statements*.
  - (ii) paragraph 73(e) (iv) of IAS 16 *Property, Plant and Equipment*
  - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*
- the requirements of paragraphs 10(d) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is a wholly owned subsidiary of West Street Topco Limited;
- the requirements of IFRS 7 *Financial Instruments Disclosures*;
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*; and
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

##### (c) *Judgments and key sources of estimation uncertainty*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported over revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the amounts recognised in the financial statements are addressed below.

##### i) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

##### ii) Accruals for project related costs

In assessing accruals for project related costs, an accrual is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 2. ACCOUNTING POLICIES *(continued)*

##### *(d) Going concern*

The financial statements have been prepared on a going concern basis as West Street Topco Limited, a 100% shareholder either directly or indirectly in the Company, has confirmed to the directors that it (i) has evaluated the potential impact of the COVID-19 pandemic through the date these financial statements are being issued and have concluded that it has sufficient cash and available liquidity to continue as a going concern and (ii) it will provide support to enable the Company to continue for the foreseeable future, being not less than twelve months from the date of approval of these financial statements. PAREXEL MMS Europe Limited will draw on funds available as required. Accordingly, the directors have determined that it is appropriate to prepare these financial statements on a going concern basis.

##### *(e) Revenue Recognition*

The Company earns service revenues from contracts with customers through the delivery of clinical communication services to pharmaceutical companies involved in the research and development of new medical compounds, prior to them achieving a product marketing license. Revenue is recognised when or as control of the performance obligation is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those services. The Company determines revenue recognition through the application of the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

##### *(f) Tangible Fixed Assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life as follows:

Leasehold improvements, land and buildings	Over the period of the lease
Furniture, fittings and equipment	5 years
Computer hardware	3-5 years
Motor vehicles	5 years

The carrying values of tangible fixed assets are assessed for the existence of impairment indicators annually. Where there is an indicator of impairment, tangible fixed assets are tested for impairment. Impairment losses are charged in the income statement as incurred.

##### *(g) Intangible assets*

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided that they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the software;
- the software will generate probable future economic benefits.

## PAREXEL MMS Europe Limited

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### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 2. ACCOUNTING POLICIES *(continued)*

##### *(g) Intangible assets (continued)*

All intangible assets are accounted for subsequently using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual value and useful lives are reviewed at each reporting date. The useful lives are:

Software development	3-5 years
External software	3 years

Amortisation is included within administration expenses in the income statement.

##### *(h) Financial assets*

The Company classifies its financial assets in accordance with the requirements of IFRS 9 Financial Instruments ("IFRS 9"). The standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit and loss as they arise ("FVPL") unless restrictive criteria are met for classifying and measuring the asset at either Amortized Cost or Fair Value Through Other Comprehensive Income ("FVOCI").

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value. Under the "Expected Credit Loss" model, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it – from the moment of its origination or acquisition.

IFRS 9 establishes three separate approaches for measuring and recognizing expected credit losses, a general approach, a simplified approach and a credit adjusted approach. The approach is dependent on whether the allowance for expected credit losses at the balance sheet date is calculated by considering possible defaults only for the next twelve months ("twelve month ECLs") or for the entire remaining life of the asset ("Lifetime ECLs").

If an individual ECL which has been provided for is subsequently collected, the ECL is reversed and recognized in the Income Statement in the period that it is realised.

##### *(i) Financial liabilities*

The Company classifies its financial liabilities in accordance with the requirements of IFRS 9 Financial Instruments ("IFRS 9"). The Company's financial liabilities include amounts owed to group undertakings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

## PAREXEL MMS Europe Limited

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### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 2. ACCOUNTING POLICIES *(continued)*

*(j) Foreign currencies*

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange prevailing at the balance sheet date. All differences are taken to the income statement.

*(k) Operating leases*

Rentals applicable to operating leases are charged to the income statement on a straight line basis over the lease term. Lease incentives are recognised as a reduction of rental expense, and the benefit is allocated over the lease term.

*(l) Pension scheme*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension costs charged represent contributions payable by the Company to the fund in respect of the accounting period. Any difference between amounts paid and amounts payable is showing within either prepayments or accruals on the balance sheet.

*(m) Current and deferred income tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the company and the company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

## PAREXEL MMS Europe Limited

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### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 2. ACCOUNTING POLICIES *(continued)*

*(n) Management interest grants*

The Company may incur charges from PAREXEL Investment Holdings L.P (the "Partnership"), a parent Company to the Company for interest awards that are granted to certain key executives of the Company (see Note 15). The Company does not issue any equity instruments.

*(o) Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement.

*(p) Research*

The Company's core clinical research service offerings provided to the pharmaceutical industry are considered research and development activities. The costs of these activities are expensed as incurred and included within cost of sales in the income statement.

*(q) Impact of new accounting standards*

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective; IFRS 16 Leases, IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions, IAS 40 (amendments) Transfers of Investment Property and IFRIC 22 Foreign Currency Transactions and Advance Consideration. The Company continues to evaluate the impact of adopting these standards on its accounting policies, financial statements, business processes, systems and internal controls. As of the date of authorization of these financial statements, the Company has not quantified the impact of these new standards. The Parent Group has established a project management and implementation team consisting of internal resources and external advisors to assist in its evaluations of IFRS 16.

#### 3. TURNOVER

The turnover, which is stated net of discounts, rebates and value added tax is attributable to the provision of clinical research services to the pharmaceutical industry. Disclosure of turnover in respect of each class of business and each geographical segment has not been provided as the directors believe it would be seriously prejudicial to the interests of the Company for competitive reasons.

The Company adopted IFRS 15 using the modified retrospective method. The cumulative effect of applying the new guidance to all contracts with customers that were in process as of July 1, 2018 was recorded as an adjustment to retained earnings as of the adoption date. Under IAS18, revenue was recognised under a proportional performance model using output units. Additionally, under IFRS 15, service revenue includes investigator fees and output-of-pocket costs since the Company acts as the principal in these arrangements. The adoption of IFRS 15 had no net impact on the Company's statement of cash flows.

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 June 2019

As a result of applying the modified retrospective method to adopt the new accounting guidance, the following adjustments were made to the accompanying audited balance sheet as of July 1, 2018:

#### 3. TURNOVER (continued)

	As Reported June 30, 2018 £'000	Adjustments IFRS-15 Adoption £'000	Adjusted July 1, 2018 £'000
<b>Fixed assets</b>			
Intangible assets	-	-	-
Tangible assets	187	-	187
	<u>187</u>	<u>-</u>	<u>187</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	8,691	-	8,691
Debtors: Amounts falling due after one year	195	-	195
Cash at bank and in hand	4,805	-	4,805
	<u>13,691</u>	<u>-</u>	<u>13,691</u>
Creditors: Amounts falling due within one year	(8,596)	233	(8,363)
<b>Net current assets</b>	<u>5,095</u>	<u>233</u>	<u>5,328</u>
<b>Total assets less current liabilities</b>	<u>5,282</u>	<u>233</u>	<u>5,515</u>
Creditors: Amounts falling due after one year	(46)	(44)	(90)
Provisions for liabilities	(148)	-	(148)
<b>Net assets</b>	<u>5,088</u>	<u>(189)</u>	<u>5,277</u>
<b>Capital and reserves</b>			
Share capital presented as equity	10	-	10
Share premium	108	-	108
Retained earnings	4,970	189	5,159
<b>Total equity</b>	<u>5,088</u>	<u>189</u>	<u>5,277</u>

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 June 2019

#### 3. TURNOVER (continued)

The following table compares the reported income statement for the fiscal year ended June 30, 2019 to the amounts as if the previous revenue recognition guidance remained in effect for the fiscal year ended June 30, 2019:

	Fiscal Year Ended June 30, 2019		
	IFRS 15 As Reported	Impact from adoption of IFRS 15	IAS 18 As Adjusted
	£'000	£'000	£'000
Turnover	21,397	233	21,630
Cost of sales:	(17,631)	-	(17,631)
<b>Gross profit</b>	<b>3,766</b>	<b>233</b>	<b>3,999</b>
Administrative expenses	(4,853)	-	(4,853)
<b>Operating loss</b>	<b>(1,087)</b>	<b>233</b>	<b>(854)</b>
Interest receivable and similar income	30	-	30
Interest payable and similar cost	(38)	-	(38)
<b>Loss on ordinary activities before taxation</b>	<b>(1,095)</b>	<b>233</b>	<b>(862)</b>
Tax on loss on ordinary activities	215	(44)	171
<b>Loss for the financial year</b>	<b>(880)</b>	<b>189</b>	<b>(691)</b>

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 3. TURNOVER *(continued)*

The following table compares the reported balance sheet as of June 30, 2019 to the amounts as if the previous revenue recognition guidance remained in effect as of June 30, 2019:

	June 30, 2019		
	IFRS 15 As Reported	Adjustments	IAS 18 As Adjusted
	£'000	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	-	-	-
Tangible assets	344	-	344
	<u>344</u>	<u>-</u>	<u>344</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	6,461		6,461
Debtors: Amounts falling due after one year	384	-	384
Cash at bank and in hand	1,478	-	1,478
	<u>8,323</u>	<u>-</u>	<u>8,323</u>
Creditors: Amounts falling due within one year	(4,207)	(44)	(4,251)
	<u>4,116</u>	<u>(44)</u>	<u>4,072</u>
<b>Net current assets</b>	4,116	(44)	4,072
	<u>4,460</u>	<u>(44)</u>	<u>4,416</u>
<b>Total assets less current liabilities:</b>	4,460	(44)	4,416
Creditors: Amounts falling due after one year	(147)	44	(103)
Provisions for liabilities	(13)	-	(13)
<b>Net assets</b>	<u>4,300</u>	<u>-</u>	<u>4,300</u>
<b>Capital and reserves</b>			
Share capital presented as equity	10	-	10
Share premium	108	-	108
Retained earnings	4,182	-	4,182
<b>Total equity</b>	<u>4,300</u>	<u>-</u>	<u>4,300</u>

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 30 June 2019.

#### 4. OPERATING (LOSS) / PROFIT

Operating (loss) / profit is stated after charging:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Audit services	59	107
Depreciation:		
Tangible fixed assets, owned (note 10)	44	27
Research and development costs	17,648	15,535
Operating lease rentals:		
Land and Buildings	310	307

#### 5. STAFF COSTS

	2019 £'000	2018 £'000
Staff costs during the year comprised:		
Wages and salaries	4,591	4,910
Social security costs	420	571
Other pension costs	359	384
Share based payments	(7)	10
	<u>5,363</u>	<u>5,875</u>

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

	2019 Number	2018 Number
Sales and distribution staff	92	95
Management and administration staff	7	11
	<u>99</u>	<u>106</u>

The directors of the Company are also directors of a number of companies within the West Street Topco Limited group. The directors' services do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the Company for the year ended 30 June 2019 (2018: Nil).

Retirement benefits are accruing to none of the directors under the defined contribution pension scheme (2018: Nil).

#### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Bank interest	<u>30</u>	<u>11</u>

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 7. INTEREST PAYABLE AND SIMILAR COST

	2019 £'000	2018 £'000
Bank interest	15	3
Other	23	15
	38	18

#### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2019 £'000	2018 £'000
<b>(a) Analysis of income statement (credit) / charge</b>		
<b>Current tax</b>		
Current tax on (loss) / profits for the year	-	116
Adjustment in respect of prior years	(15)	4
Foreign tax suffered	9	27
Total current tax (credit) / charge	(6)	147
<b>Deferred tax (note 11a)</b>		
Current year	(228)	24
Adjustment in respect of previous periods	-	(3)
Effect of changes in tax rates	19	(3)
Total deferred tax (credit) / charge	(209)	18
Total tax (credit) / charge for the year	(215)	165

#### (b) Factors affecting total tax charge for the current period

	2019 £'000	2018 £'000
Company (loss) / profit on ordinary activities before tax	(1,095)	756
Tax on (loss) / profit at standard UK tax rate of 19% (2018: 19%)	(208)	144
<i>Effect of:</i>		
Adjustments in respect of prior years	(15)	1
Expenses not deductible	1	1
Income not taxable	(21)	(5)
Tax rate changes	19	(3)
Foreign tax suffered	9	27
Total tax (credit) / charge for the year	(215)	165

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

##### (c) Factors that may affect future tax charges

On 11 March 2020 the UK Government announced legislation in Finance Bill 2020 will set the UK corporation tax rate at 19% for the financial year beginning 1 April 2020, rather than the previously enacted reduction to 17%. Additionally, legislation will also be introduced in the Finance Bill 2020 to set the corporation tax rate to 19% for the financial year beginning 1 April 2021. The Finance Bill 2020 was substantively enacted on 17 March 2020. Deferred tax has been calculated at 17% as the increased rate of 19% was not enacted at the balance sheet date.

#### 9. INTANGIBLE ASSETS

	Software
	£'000
<b>Cost</b>	
At 30 June 2018	1,037
At 30 June 2019	<u>1,037</u>
<b>Amortisation</b>	
At 30 June 2018	1,037
At 30 June 2019	<u>1,037</u>
<b>Net book amount</b>	
At 30 June 2019	<u>-</u>
At 30 June 2018	<u>-</u>

The intangible asset has no remaining amortisation period. Its net book value is nil at 30 June 2019.

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 10. TANGIBLE FIXED ASSETS

Cost	Leasehold	Furniture,	Computer	Motor	Total
	Improvements	Fittings			
	Land and	and			
	Buildings	Equipment			
	£'000	£'000	£'000	£'000	£'000
At 1 July 2018	423	441	1,072	13	1,949
Additions	86	101	14	-	201
At 30 June 2019	509	542	1,086	13	2,150
<b>Depreciation:</b>					
At 1 July 2018	379	440	930	13	1,762
Provided during the year	24	9	11	-	44
At 30 June 2019	403	449	941	13	1,806
<b>Net book amount:</b>					
At 30 June 2019	106	93	145	-	344
At 30 June 2018	44	1	142	-	187

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 June 2019.

#### 11. DEBTORS

	2019	2018
	£'000	£'000
<b>Due within one year</b>		
Trade debtors	3,093	3,535
Amount owed by group undertakings	2,168	2,412
Other debtors	248	230
Prepayments and accrued income	952	2,514
	<u>6,461</u>	<u>8,691</u>
<b>Due after one year</b>		
Other debtors	25	-
Deferred tax (note 11a)	359	195
	<u>384</u>	<u>195</u>
<b>Impact of adoption of IFRS 9</b>		
Trade debtors, gross	3,116	3,535
Allowance for credit losses	(23)	(68)
Trade debtors, net	<u>3,093</u>	<u>3,467</u>
Amounts owed by group undertakings, gross	2,192	2,412
Allowance for credit losses	(24)	(29)
Amounts owed by group undertakings, net	<u>2,168</u>	<u>2,383</u>

Amounts owed by group undertakings are unsecured, are repayable on demand and are not interest bearing.

The Company calculated the loss allowance of amounts owed by group undertakings using the general approach in IFRS 9 which uses the below formula to determine the provision.

$$ECL = EAD \times LGD \times PD$$

Where:

- EAD – Exposure at default is defined as the value of the financial instrument which is exposed to credit risk.
- LGD – Loss given default is defined as the share of a financial asset that will be lost should the borrower default.
- PD – Probability of default is defined as the likelihood of default of a counterparty over a period assessed to be 1.1%.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 11. DEBTORS *(continued)*

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. No trade receivables have been written off due to enforcement activities.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is based on past due status.

30 June 2019 £'000	Not past due	Trade debtors -- days past due						Total
		<30	31-60	61-90	91-180	181-360	>360	
Expected credit loss rate	0.5%**	5%	5%	10%	10%	50%	100%	
Trade receivables gross carrying amount	3,001	165	-	-	-	(1)	(49)	3,116
Expected credit loss provision	(14)	(8)	-	-	-	(1)*	-*	(23)
Trade receivables net carrying amount	2,987	157	-	-	-	(2)	(49)	3,093

\*\* rounded from 0.466%

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 June 2019

#### 11. DEBTORS (continued)

30 June 2018 £'000	Not past due	<30	31-60	61-90	91-180	181-360	>360	Total
Expected credit loss rate	0.5%***	5%	4%	10%	11%	23%	100%	
Trade receivables gross carrying amount	3,284	454	25	(198)	9	13	(52)	3,535
Expected credit loss provision	(16)	(22)	(1)	(3)*	(1)	(3)	(22)*	(68)
Trade receivables net carrying amount	3,268	432	24	(201)	8	10	(74)	3,467

\* For the year ended 30 June 2019 the greater than three-hundred-and-sixty-day bucket and year ended 30 June 2018 the sixty-one to ninety and greater than three-hundred-and-sixty-day buckets in the Debtors Aging table was a net credit balance. For purposes of calculating the IFRS 9 lifetime credit ECL, the net credit balance was broken out into the net debit and net credit components and a lifetime credit ECL provided for the net debit component.

\*\*\* rounded from 0.487%

The following table shows the movement in lifetime credit ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	£ '000
Balance as at 1 July 2018 under IAS 39	-
Adjustment upon application of IFRS 9	97
Balance as at 1 July 2018 as restated	97
Amount written off in current year:	
- Trade receivables	(45)
- Amounts owed by group companies	(5)
Balance at 30 June 2019	47

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 June 2019

#### 11a. Deferred Taxation

The deferred tax asset of the Company is as follows:	1 July 2018	Credit/ (Charge) to income statement	Charge to comprehensive income	30 June 2019
	£'000	£'000	£'000	£'000
Accelerated capital allowances	123	(20)	-	103
Short term timing differences	72	(47)	-	25
Tax losses	-	231	-	231
Impact from the adoption of IFRS 15	-	44	(44)	-
	<u>195</u>	<u>208</u>	<u>(44)</u>	<u>359</u>

The deferred tax asset of the Company is as follows:	1 July 2017	Credit/ (Charge) to income statement	Charge to comprehensive income	30 June 2018
	£'000	£'000	£'000	£'000
Accelerated capital allowances	177	(54)	-	123
Short term timing differences	36	36	-	72
	<u>213</u>	<u>(18)</u>	<u>-</u>	<u>195</u>

#### 12. CREDITORS

	2019 £'000	2018 £'000
<b>Amounts falling due within one year</b>		
Deferred income	2,513	3,472
Bank overdrafts	73	602
Trade creditors	535	1,636
Amounts owed to group undertakings	339	1,901
Other taxes and social security	138	142
Accruals	609	843
	<u>4,207</u>	<u>8,596</u>

Bank overdraft is unsecured and repayable on demand. Interest is charged at Libor +3%.

Amounts owed to group undertakings are unsecured, are repayable on demand and are not interest bearing.

	2019 £'000	2018 £'000
<b>Amounts falling due after one year</b>		
Dilapidation accrual	145	46
Other creditors	2	-
	<u>147</u>	<u>46</u>

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2019

#### 13. PROVISIONS FOR LIABILITIES

Provisions consist of an accrual as a result of a Margin Acceleration Programme's ("MAP") restructuring charge recorded at entity and an onerous lease provision.

	Provision for restructuring	Provision for onerous lease	Total
	£'000	£'000	£'000
At July 2018	62	86	148
Utilised during the year	(62)	(73)	(135)
At 30 June 2019	-	13	13

#### 14. SHARE CAPITAL PRESENTED AS EQUITY

	2019 £'000	2018 £'000
Allotted, called up and fully paid 5,000,000 ordinary shares of £0.0019	10	10

#### 15. MANAGEMENT INTEREST GRANTS

##### Management Interest Grant Agreement (MIGA)

Following the Merger, the Partnership granted to certain executives and other key employees of the Company equity interests in the Partnership in the form of Class B Interests (such interests, the "Class B Interests" and such grant, "an award"), which are subject to both time-vesting requirements (representing 1/3 of the award) ("Time Vesting Class B Interests") and performance-vesting requirements (representing 2/3 of the award) ("Performance Vesting Class B Interests"). There were no equity interests granted during the year (2018: 500,000-time vesting equity interests and 1,000,000 performance vesting equity interests were granted). For the fiscal year 2019 the expense was (£7,000) (2018: £10,000).

	Units	Fair Value
Outstanding at 1 July 2018	1,500,000	\$0.24
Granted during the year	-	\$0.02
Outstanding at 30 June 2019	1,500,000	\$0.02

Prior to the Merger, share options and restricted stock awards in PAREXEL International Corporation, the Company's ultimate parent, were granted on a discretionary basis, and were usually granted on the date of an employee joining the business. This plan was terminated as a result of the merger. The share award expense for this plan was £nil for the year ended 30 June 2018.

PAREXEL International stock stopped trading at the close of business on September 29, 2017, as a result of the Merger and all outstanding employee equity awards were accelerated and settled in cash using the \$88.10 purchase price per share paid by Pamplona in the transaction

## PAREXEL MMS Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### 16. PENSIONS

The Company operates a defined contribution scheme. The pension contributions for the year amounted to £359,000 (2018: £384,000). Included in creditors is £50,000 (2018: £47,000) in respect of contributions to the scheme.

#### 17. LEASING COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings	
	2019 £'000	2018 £'000
Not later than one year	331	513
After one year but not more than five years	567	149
After five years	-	-
	898	662

#### 18. RELATED PARTY TRANSACTIONS

The Company has availed of the exemption provided in the Financial Reporting Standard Number 101.8(k) "Related party transactions" whereby transactions entered into between two or more members of a group of companies are not required to be disclosed, provided that any subsidiary undertaking which as a party to the transaction is a wholly owned member of that group.

#### 19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking and controlling party is PAREXEL International Holding BV.

As at 30 June 2019, Company's ultimate parent and ultimate controlling party is West Street Topco Limited, incorporated in Jersey, The Channel Islands. As at 30 June 2019, West Street Topco Limited is the smallest and largest group to consolidate the Company's financial statements, copies of which can be obtained from:

West Street Topco Limited,  
13-14 Esplanade,  
St Helier,  
Jersey JE11EE,  
Jersey, The Channel Islands.

## PAREXEL MMS Europe Limited

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### NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 30 June 2019

#### **20. POST BALANCE SHEET EVENTS**

In March 2020, the spread of the novel coronavirus began to cause business disruptions for the Parent Group and many of that Group's customers and vendors including global patient site closures which are leading to a reduction in our site based monitoring revenue as well as delays in starting up new studies. The Group has taken a series of actions aimed at safeguarding the Group's employees and business associates, including implementing a work-at-home policy. In addition we have initiated several proactive cost management strategies and cash conservation initiatives, including organizational and operating model efficiencies, hiring restrictions, reductions in third-party costs, delaying some capital expenditures, and extending the maturity and lowering our commitment fees associated with our receivables financing facility as well as other cost savings initiatives aimed at preserving cash. While the COVID-19 related disruptions are currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

#### **21. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were authorised and approved for Issue by the Board on 23 July 2020.