

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORRENT PHARMA (UK) LIMITED

Opinion

We have audited the financial statements of Torrent Pharma (UK) Limited ("the company") for the year ended 31 March 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows, 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 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of license intangibles and the provision for stock and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and 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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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 4-5, 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 FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

T.S. 

Timothy Rush (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate, Brighton Road,

Crawley, RH11 9PT,

United Kingdom

13th May 2019

TORRENT PHARMA (UK) LTD

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
CONTINUING OPERATIONS			
Revenue		15,893,580	8,671,140
Cost of sales		<u>(12,360,855)</u>	<u>(766,403)</u>
GROSS PROFIT		3,532,725	1,007,110
Other operating income		291,873	4,372
Distribution costs		(698,929)	(391,486)
Administrative expenses		<u>(2,867,828)</u>	<u>(1,396,526)</u>
OPERATING PROFIT/LOSS		257,841	(776,530)
Finance costs	3	(258,302)	(148,180)
Finance income	3	-	-
Write down of Investment	8	<u>-</u>	<u>(930,725)</u>
LOSS BEFORE INCOME TAX	4	(461)	(1,855,435)
Deferred tax	5	<u>26,282</u>	<u>-</u>
PROFIT/LOSS FOR THE YEAR		25,821	(1,855,435)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>25,821</u>	<u>(1,855,435)</u>

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD (REGISTERED NUMBER: 07249393)

STATEMENT OF FINANCIAL POSITION 31 MARCH 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	6	5,848,740	6,372,029
Property, plant and equipment	7	257,718	14,426
Investments	8	1	1
		<u>6,106,459</u>	<u>6,386,456</u>
CURRENT ASSETS			
Inventories	9	7,441,989	4,194,446
Trade and other receivables	10	4,476,708	2,146,598
Cash and cash equivalents	11	1,068,816	86,823
		<u>12,987,513</u>	<u>6,427,867</u>
TOTAL ASSETS		<u><u>19,093,972</u></u>	<u><u>12,814,323</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	225,000	225,000
Retained earnings	13	(4,149,867)	(4,175,688)
TOTAL EQUITY		<u>(3,924,867)</u>	<u>(3,950,688)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	22,726,691	16,446,580
NON-CURRENT LIABILITIES			
Deferred Tax Liability	17	292,148	318,431
		<u>23,018,839</u>	<u>16,765,011</u>
TOTAL LIABILITIES		<u>23,018,839</u>	<u>16,765,011</u>
TOTAL EQUITY AND LIABILITIES		<u><u>19,093,972</u></u>	<u><u>12,814,323</u></u>

The financial statements were approved by the Board of Directors on 09.05.2019..... and were signed on its behalf by:



Jamie Durbidge- Director

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Retained earnings	Total equity
	£	£	£
Balance at 31 March 2017	<u>225,000</u>	<u>(2,320,253)</u>	<u>(2,095,253)</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>(1,855,435)</u>	<u>(1,855,435)</u>
Balance at 31 March 2018	<u>225,000</u>	<u>(4,175,688)</u>	<u>(3,950,688)</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>25,821</u>	<u>25,821</u>
Balance at 31 March 2019	<u>225,000</u>	<u>(4,149,867)</u>	<u>(3,924,867)</u>

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	(2,370,018)	(1,686,032)
Tax (paid)		-	-
Net cash outflow from operating activities		<u>(2,370,018)</u>	<u>(1,686,032)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(136,235)	(119,049)
Purchase of tangible fixed assets		(253,452)	(2,378)
Interest (paid)		(258,302)	(148,180)
Net cash received from business combination		-	4,315
Net cash outflow from investing activities		<u>(647,989)</u>	<u>(265,292)</u>
Cash flows from financing activities			
Loan from group company received		4,000,000	1,800,000
Loan to group company		-	(250,000)
Net cash from financing activities		<u>4,000,000</u>	<u>1,550,000</u>
(Decrease)/increase in cash and cash equivalents		981,993	(401,324)
Cash and cash equivalents at beginning of year	2	<u>86,823</u>	<u>488,147</u>
Cash and cash equivalents at end of year	2	<u><u>1,068,816</u></u>	<u><u>86,823</u></u>

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£	£
Loss before income tax	(461)	(1,855,435)
Impairment of intangibles	519,431	-
Depreciation and Amortisation charges	150,253	36,549
Finance costs	258,302	148,180
Write down of Investment	-	930,725
	927,525	(739,981)
(Increase)/decrease in inventories	(3,247,543)	(2,912,164)
(Increase)/decrease in trade and other receivables	(2,330,110)	(748,345)
Increase/(decrease) in trade and other payables	2,280,110	2,714,458
Cash generated from operations	(2,370,018)	(1,686,032)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March	2019	2018
	£	£
Cash and cash equivalents	1,068,816	86,823

Year ended 31 March	2018	2017
	£	£
Cash and cash equivalents	86,823	488,147

The notes form part of these financial statements

**TORRENT PHARMA (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. ACCOUNTING POLICIES

Basis of preparation

Torrent Pharma (UK) Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements have been prepared under the historical cost convention.

The Company is exempt by virtue of being subject to the small company's regime 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.

Revenue recognition

We have now adopted IFRS15 and thus being recognising revenue as per "contract" with customers where "contract" refers to the Customers' purchase orders replicated by our sales orders. The revenue is recognised upon the transfer of control of goods to the customer in line with the newly adopted IFRS 15.

Intangible fixed assets

Intangible assets are valued at cost less accumulated amortisation. Amortisation of software licenses is calculated to write off the cost in equal annual instalments over their estimated useful life of 5 years. Drug licenses can be easily renewed for a de minimis fee and are therefore amortised over the useful life of 5 years when a product is ready for sale.

Property, plant and equipment

Depreciation is done on straight line basis at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- in accordance with the property
Office equipment	- 10% on cost
Office furniture & fittings	- 10% on cost
Computer equipment	- 33% on cost

Inventories

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

Taxation

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

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

1. ACCOUNTING POLICIES- CONTINUED

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 income statement in the periods during which services are rendered by employees.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Company cars on hire purchase basis are made available to the key management employees.

Going concern

Notwithstanding net current liabilities of £9,739,178 as at 31 March 2019 and operating cash outflows for the year of £2,370,018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's fellow subsidiary company, Heumann Pharma GmbH & Co Generica KG not seeking repayment of the amounts currently due to the Company, which at 31 March 2019 amounted to £13,300,000. The Parent Company Torrent Pharmaceuticals Limited has indicated that if Heumann Pharma GmbH & Co Generica KG requires repayment of any part of the loan it will make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Applicability of IFRS

The following IFRSs have been applied to these financial statements where applicable. Management have reviewed all the below IFRS standards and where necessary have adopted by the Group to the extent applicable to them from their effective dates. The Company has estimated the impact of adopting these Standards, amendments and interpretations on the financial statements in the period from their initial application:

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

ACCOUNTING POLICIES- CONTINUED

IFRS Adopted

IFRS 9: Effective from 1 January 2018, all assets within the scope of IFRS 9 are measured at amortised cost, fair value through other comprehensive income (FVTOCI), or fair value through profit or loss (FVTPL). We have done the Business Model test to identify the financial assets which are held to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value). Trade receivables is the only financial instrument which is meeting the above condition and must be measured at amortised cost. Trade receivables are generated from sales invoices raised and the payment terms are pre-defined as per contracts/purchase orders. No cases of bad debts in the past 3 years and credit insurance taken to mitigate the credit risks. Expected Credit Loss (ECL) testing is not required in view of the above as there hasn't been any significant increase of credit risk (SICR). There are no adjustments to previously reported numbers.

- IFRS 15 addresses to recognition of revenue from contracts with customers. The business generates revenue from selling and distribution of pharmaceutical products to the whole-sellers in UK. Thus, it follows a B2B model and doesn't hold any long-term contract with its customers. It doesn't offer any after sales service neither bulk discounts or rebates. The company doesn't also undertake any consignment stock and bill and hold arrangements. Due to the above reasons it would be prudent to say that IFRS 15 would be restricted to "contracts" with customers for our current business scenario where contracts only refer to customers' purchase orders replicated by our sales orders. Eventually the revenue is recognised when the control of the promised goods is transferred to the customers. It's also important to note that the company generates some revenue from profit share with few of our customers, however it is not material to the business and thus not considered for further evaluation with reference to IFRS 15. Management has reviewed IFRS 15 applicable from 1 April 2018 and there are no adjustments to previously reported numbers.

Not Yet Effective

- IFRS 16: 'Leases', addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15, 'Revenue from contracts with customers', at the same time. The Group has carried out an initial impact assessment in respect of the adoption of IFRS 16 and has undertaken the modified retrospective approach. This estimated impact would result in the recognition of a right of use asset of between £1.1m and £1.3m and a corresponding lease liability of between £1.1m and £1.3m.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018)- No impact
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019)- No impact

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

2	EMPLOYEES AND DIRECTORS	2019	2018
		£	£
	Wages and salaries	937,922	728,693
	Social security costs	104,456	80,222
	Pension costs	13,265	6,193
		<u>1,055,643</u>	<u>815,108</u>
	Employees	17	12
	Directors	5	4
		<u>22</u>	<u>16</u>
	Director's remuneration	<u>£228,445</u>	<u>£154,327</u>
3	NET FINANCE COSTS	2019	2018
	Finance costs:	£	£
	Interest on group loan	258,302	148,180
		<u>258,302</u>	<u>148,180</u>
	Net finance costs	<u>258,302</u>	<u>148,180</u>
4	LOSS BEFORE INCOME TAX		
	The loss before income tax is stated after charging:	2019	2018
		£	£
	Depreciation - owned assets	10,160	7,503
	Drug licences amortisation	140,093	29,046
	Auditor remuneration	25,413	22,882
	Foreign exchange differences	47,272	5,727
	Other operating leases - rent	18,144	18,500
5	INCOME TAX		
	Analysis of tax income	2019	2018
		£	£
	Current tax:		
	Tax	-	-
	Deferred tax	26,282	-
	Total tax income in statement of profit or loss and other comprehensive income	<u>26,282</u>	<u>-</u>

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

Factors affecting the tax expense

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

	2019 £	2018 £
Loss on ordinary activities before income tax	(461)	(1,855,435)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	(88)	(352,533)
Effects of:		
Expenses not deductible	38,062	29,000
Write down of investment	-	176,838
Current year tax losses/(profit) for which no deferred tax asset was recognised	(11,692)	146,695
Tax expense/(income)	<u>26,282</u>	<u>-</u>

6 INTANGIBLE ASSETS

	Drug Licences £ COST	Software Licences £ COST	Total £ COST
At 1 April 2018	6,505,134	33,527	6,538,661
Additions	136,234	-	136,234
Impairment	(519,431)	-	(519,431)
and 31 March 2019	<u>6,121,937</u>	<u>33,527</u>	<u>6,155,464</u>
AMORTISATION			
At 1 April 2018	166,073	559	166,632
Amortisation for year	133,387	6,706	140,093
At 31 March 2019	<u>299,460</u>	<u>7,265</u>	<u>306,724</u>
NET BOOK VALUE			
At 31 March 2019	<u>5,822,478</u>	<u>26,263</u>	<u>5,848,740</u>
At 31 March 2018	<u>6,339,061</u>	<u>32,968</u>	<u>6,372,029</u>

Impairment of intangibles of £519,431 (2018: NIL) done at the end of the year after impairment testing.

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

7 PROPERTY, PLANT AND EQUIPMENT

	Improvements to property £	Office equipment £	Office furniture & fittings £	Computer equipment £	Totals £
COST					
At 1 April 2018	17,176	5,302	10,216	24,375	57,069
Additions	166,068	7,705	61,945	17,734	253,452
At 31 March 2019	<u>183,244</u>	<u>13,007</u>	<u>72,161</u>	<u>42,109</u>	<u>310,521</u>
DEPRECIATION					
At 1 April 2018	17,176	3,224	6,256	15,987	42,643
Charge for year	-	741	2,569	6,850	10,160
At 31 March 2019	<u>17,176</u>	<u>3,965</u>	<u>8,825</u>	<u>22,837</u>	<u>52,805</u>
NET BOOK VALUE					
At 31 March 2019	<u>166,068</u>	<u>9,042</u>	<u>63,335</u>	<u>19,272</u>	<u>257,718</u>
At 31 March 2018	<u>-</u>	<u>2,078</u>	<u>3,960</u>	<u>8,388</u>	<u>14,426</u>

8 INVESTMENTS

COST

At 1 April 2018
and 31 March 2019

**Shares in group
undertakings (£)**

1
1

NET BOOK VALUE

At 31 March 2019
At 31 March 2018

1
1

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Aptil Pharma Limited

Nature of business: Pharmaceutical wholesaler

Class of shares:
Ordinary

%
holding
100.00

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

9	INVENTORIES	2019	2018
		£	£
	Finished goods	7,441,989	4,194,446
	Cost of inventories recognized as expense	12,360,855	7,664,030

10	TRADE AND OTHER RECEIVABLES	2019	2018
		£	£
	Current:		
	Trade debtors	4,200,270	1,738,277
	Amounts owed by group undertakings	113,098	113,203
	Other debtors	95,447	-
	VAT	-	270,211
	Prepayments	67,893	24,907
		<u>4,476,708</u>	<u>2,146,598</u>

The ageing of trade receivable at the balance sheet date was

	2019	2018
	£	£
Not past due	4,045,113	1,134,166
Past due 0-30 days	74,170	604,111
Past due [31-120 days]	69,955	-
More than 120 days	11,032	-
Total dues	<u>4,200,270</u>	<u>1,738,277</u>

The value of the trade receivables past due which have not been provided is £155,157 (2018: £604,111).

11	CASH AND CASH EQUIVALENTS	2019	2018
		£	£
	Cash in hand	98	131
	Bank accounts	1,068,718	86,692
		<u>1,068,816</u>	<u>86,823</u>

12	CALLED UP SHARE CAPITAL			2019	2018
	Allotted, issued and fully paid:	Class:	Nominal	£	£
	Number:		value:	£	£
	225,000	Ordinary	£1	<u>225,000</u>	<u>225,000</u>

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

13	RESERVES	Retained earnings	
		£	
	At 1 April 2018	(4,175,688)	
	Profit for the year	<u>25,821</u>	
	At 31 March 2019	<u>(4,149,867)</u>	
14	TRADE AND OTHER PAYABLES	2019	2018
	Current:	£	£
	Trade creditors	1,334,136	835,539
	Amounts owed to group undertakings: -		
	Loan	13,300,000	9,300,000
	Non-Loan	7,463,269	5,704,319
	Social security and Pension	33,057	25,308
	Accrued expenses	284,970	581,414
	VAT	311,259	-
		<u>22,726,691</u>	<u>16,446,580</u>

Note (a): The company is exposed to foreign currency risks on an amount of £1,004,375 (2018: £612,186) denominated in pound sterling (GBP) and is included in Trade creditors

Note (b): Amount owed to group undertaking includes intercompany loan repayable in 12 months but extendable at lender option, applicable loan interest rate is 3 month's GBP LIBOR rate plus 140 bps. It also includes trade payables to the parent company.

15 EMPLOYEE BENEFITS

DEFINED PENSION CONTRIBUTION PLANS

The workplace pension contribution under NOW pensions scheme for both employer and employee for Jan 2017 to Mar 2018 was 1%, this was increased to 2% for employer and 3% for employee for Apr 2018 to Mar 2019, this has increased further to 3% for employer and 5% for employee for Apr 2019 to Mar 2020. The total expense relating to this plan for the current year was £13,265 (2018: £6,193).

16 LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows

Within 1 year	£120,814 (2018: £7,056)
Between 2-5 years	£598,937
Above 5 years	£729,000

The company is committed to pay rent for office space of £116,241 within one year.
 The company is committed to pay rent for Telephone equipment of £3,295 within one year.
 The company is committed to pay rent for Coffee Machine of £1,278 within one year.

The notes form part of these financial statements

TORRENT PHARMA (UK) LTD

17	DEFERRED TAX	2019	2018
		£	£
	Balance at 1 April	(318,431)	-
	Deferred tax movement	26,283	(318,431)
	Balance at 31 March	(292,148)	(318,431)

Amount of unused tax losses for which no deferred tax asset is recognized is	4,621,410	3,281,164
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Deferred tax liability was created on 31st March 2018 due to fair valuation of Licences of Aptil Pharma Ltd on business combination.

18 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Torrent Pharmaceuticals Limited which is the ultimate parent company incorporated in India. The ultimate controlling party is Torrent Private Ltd which owns the controlling stake in Torrent Pharmaceuticals Limited.

The largest group in which the result of the Company are consolidated is that headed by Torrent Pharmaceuticals Limited, registered office at Off. Ashram Road, Ahmedabad- 380 009, Gujarat, India. The consolidated financial statements of these group are available to the public and may be obtained from www.torrentpharma.com.

19 RELATED PARTY DISCLOSURES

1. Key Management:

a) Short term benefits paid, including salary and benefits:	£356,873	(2018: £311,780)
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2. Wholly Owned Subsidiary:

Aptil Pharma Limited

a) Interest on loan charged to subsidiary in the year:	NIL	(2018: NIL)
b) Expenses recharged to subsidiary in the year:	NIL	(2018: NIL)
c) Trade receivables balance owed by subsidiary at the year end:	NIL	(2018: NIL)
d) Loan balance due from subsidiary at the year end:	NIL	(2018: NIL)
e) Interest due on loan to subsidiary unpaid at the year end:	NIL	(2018: NIL)

3. Parent Company:

Torrent Pharmaceuticals Limited

a) Goods purchased from parent company in the year:	£7,057,158	(2018: £6,383,959)
b) Expenses recharged to parent company in the year:	NIL	(2018: NIL)
c) Trade payables balance due to parent company at the year end:	£7,387,958	(2018: £5,659,680)
d) Trade receivables balance due from parent company at the year end:	NIL	(2018: £105)

The majority of stock purchases are made from Torrent Pharmaceuticals Limited, India, the parent company. Torrent Pharma UK Ltd functions as a distribution company for promoting and marketing the products of Torrent Pharmaceuticals Limited, India.

The notes form part of these financial statements

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4. Group Companies:

i) Heumann Pharma GmbH & Co Generica KG:

A subsidiary of Torrent Pharmaceuticals Limited, the parent company.

a) Loan balance due to the group company at the year end:	£13,300,000	(2018: £9,300,000)
b) Interest charged by group company on loan in the year:	£258,302	(2018: £148,180)
c) Interest due on loan from group company unpaid at the year end:	£75,310	(2018: £44,007)

ii) Torrent Pharma GmbH:

A subsidiary of Torrent Pharmaceuticals Limited, the parent company.

a) Expenses recharged to the group company:	NIL	(2018: NIL)
b) Expenses recharged by the group company:	£1,376	(2018: £3,212)
c) Trade payables balance owed to group company at the year end	NIL	(2018: £633)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

Major product lines- Pharmaceutical product	2019	2018
Sales of goods	£15,893,580	£8,671,140
Primary geographical markets	UK	UK
Timing of transfer of goods or services		
Products transferred at a point in time	£15,893,580	£8,671,140

(ii) Contract balances

The following table provides information about opening and closing receivables from contracts with customers. The company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 31st March 2018.

	Note	2019	2018
Receivables	10	£4,200,270	£1,738,277

The amount of revenue recognised in in current period from performance obligations satisfied (or partially satisfied) in previous periods was NIL.

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21. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates were made include:

Provision for Stocks - Based on the historical knowledge of the business and the best estimates of the current markets, management made adequate provisions using a prudent and methodical approach.

Intangibles - The directors have reviewed for impairment indicators and taken necessary steps to impair the value of the intangibles which have materially changed.

The drug licenses were reviewed for impairment and upon analysis, they were categorized based on products that were already launched, to be launched or expired. They were thus either impaired or written off. In case of drug licenses on which the products will be launched in future, the impairment were done on the basis of anticipated net cashflow generated over the product life cycle against the book value of the licenses.

22. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting period date that have had a material effect on the financial statements to 31 March 2019.

The notes form part of these financial statement