

## **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 2020 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 under those standards are further in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.

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

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

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

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

### **Conclusions relating to going concern (continued)**

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 company will continue in operation.

### **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 this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

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

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5-6, 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 the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Directors' responsibilities (continued)**

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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



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**Amanjit Singh (Senior Statutory Auditor)**

**for and on behalf of KNAV, Statutory Auditor**

*Chartered Accountants*

Ground Floor, Hygeia Building

66-68 College Road, Harrow,

HA1 1BE

United Kingdom

28 April 2020

TORRENT PHARMA (UK) LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2020


	Notes	2020 £	2019 £
<b>CONTINUING OPERATIONS</b>			
Revenue	20	20,125,600	15,893,580
Cost of sales		<u>(14,406,448)</u>	<u>(12,360,855)</u>
<b>GROSS PROFIT</b>		<b>5,719,152</b>	<b>3,532,725</b>
Other operating income		48,674	291,873
Distribution costs		(1,060,599)	(698,929)
Administrative expenses		<u>(4,049,973)</u>	<u>(2,867,828)</u>
<b>OPERATING PROFIT/LOSS</b>		<b>657,254</b>	<b>257,841</b>
Finance costs	3	(388,135)	(258,302)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	4	<b>269,119</b>	<b>(461)</b>
Deferred tax	5	<u>843,445</u>	<u>26,282</u>
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>1,112,564</b>	<b>25,821</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>1,112,564</b></u>	<u><b>25,821</b></u>

The notes form part of these financial statements

**TORRENT PHARMA (UK) LTD (REGISTERED NUMBER: 07249393)**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

	Notes	2020 £	2019 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	6	4,848,236	5,848,740
Property, plant and equipment	7	221,250	257,718
Right to Use Assets	7	1,025,566	-
Investments		-	1
Deferred tax		551,297	0
		<u>6,646,349</u>	<u>6,106,459</u>
<b>CURRENT ASSETS</b>			
Inventories	8	7,347,628	7,441,989
Trade and other receivables	9	5,922,128	4,476,708
Cash and cash equivalents	10	1,145,470	1,068,816
Non-Current Assets held for sale		193,599	
		<u>14,608,825</u>	<u>12,987,513</u>
<b>TOTAL ASSETS</b>		<u><u>21,255,174</u></u>	<u><u>19,093,972</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	11	225,000	225,000
Retained earnings	12	(3,037,303)	(4,149,867)
<b>TOTAL EQUITY</b>		<u>(2,812,303)</u>	<u>(3,924,867)</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	17,096,014	22,726,691
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax Liability	16	-	292,148
Others	17	6,971,463	-
		<u>6,971,463</u>	<u>23,018,839</u>
<b>TOTAL LIABILITIES</b>		<u>24,067,477</u>	<u>23,018,839</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>21,255,174</u></u>	<u><u>19,093,972</u></u>

The financial statements were approved by the Board of Directors on ..... 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 2020

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 31 March 2018</b>	<u>225,000</u>	<u>(4,175,688)</u>	<u>(3,950,688)</u>
<b>Changes in equity</b>			
Total comprehensive income	<u>-</u>	<u>25,821</u>	<u>25,821</u>
<b>Balance at 31 March 2019</b>	<u>225,000</u>	<u>(4,149,867)</u>	<u>(3,924,867)</u>
<b>Changes in equity</b>			
Total comprehensive income	<u>-</u>	<u>1,112,564</u>	<u>1,112,564</u>
<b>Balance at 31 March 2020</b>	<u>225,000</u>	<u>(3,037,303)</u>	<u>(2,812,303)</u>

The notes form part of these financial statements

**TORRENT PHARMA (UK) LTD**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(3,254,093)	(2,370,018)
		<hr/>	<hr/>
Net cash outflow from operating activities		<u>(3,254,093)</u>	<u>(2,370,018)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(61,307)	(136,235)
Purchase of tangible fixed assets		(70,416)	(253,452)
Interest (paid)		(388,135)	(258,302)
		<hr/>	<hr/>
Net cash outflow from investing activities		<u>(519,858)</u>	<u>(647,989)</u>
<b>Cash flows from financing activities</b>			
Loan from group company received		4,000,000	4,000,000
Repayment of Lease Liability		(149,395)	-
		<hr/>	<hr/>
Net cash from financing activities		<u>3,850,605</u>	<u>4,000,000</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>76,654</b>	<b>981,993</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>1,068,816</u>	<u>86,823</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>1,145,470</u></u>	<u><u>1,068,816</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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit/Loss before income tax	269,119	(461)
Impairment of intangibles	562,588	519,431
Depreciation and Amortisation charges	458,541	150,253
Finance costs	388,135	258,302
	<b>1,678,383</b>	<b>927,525</b>
(Increase)/decrease in inventories	94,361	(3,247,543)
(Increase)/decrease in trade and other receivables	(1,445,420)	(2,330,110)
Increase/(decrease) in trade and other payables	(3,581,417)	2,280,110
<b>Cash generated from operations</b>	<b>(3,254,093)</b>	<b>(2,370,018)</b>

### 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:

<b>Year ended 31 March</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<b>1,145,470</b>	<b>1,068,816</b>
<b>Year ended 31 March</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	1,068,816	86,823

The notes form part of these financial statements



**TORRENT PHARMA (UK) LTD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**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 at 4 Gatwick Road, Nexus Building, 3<sup>rd</sup> floor, Crawley, RH10 9BG. 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**

PPE are recognised at acquisition cost and subsequently measured at cost less accumulated depreciation and impairment losses. 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

**Right to Use Lease Assets**

Effective 01-April-2019, the Company has adopted IFRS 16 Leases which introduces single accounting model and requires a lessee to recognise assets and liabilities for all leases subject to recognition exemptions. The Company adopted IFRS 16 Leases using modified retrospective approach and practical expedients.

**Company as a Lessee**

Lease conveys the right to control the use of identified assets for a period of time in exchange for consideration. At the inception date, right of use asset is recognised at cost which includes present value of lease payments adjusted for any payments made on or before the commencement of lease and initial direct cost, if any. It is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. Right of use asset is depreciated using the straight-line method from the commencement date over the lease term. When the Company has purchase option available under lease and cost of right of use assets

The notes form part of these financial statements

## TORRENT PHARMA (UK) LTD

### 1. ACCOUNTING POLICIES (continued)

#### Right to Use Lease Assets (continued)

reflects that purchase option will be exercised, right of use asset is depreciated over the useful life of underlying asset. Right of use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

At the inception date, lease liability is recognised at present value of lease payments that are not made at the commencement of lease. Lease liability is subsequently measured by adjusting carrying amount to reflect interest, lease payments and remeasurement, if any. Lease payments are discounted using the incremental borrowing rate or interest rate implicit in the lease, if the rate can be determined.

The Company has elected not to apply requirements of IFRS 16 to leases that has a term of 12 months or less and leases for which the underlying asset is of low value. Lease payments of such lease are recognised as an expense on straight line basis over the lease term.

#### Impairment of Assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in the statement of profit and loss to such extent. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increase in the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit and loss.

#### 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.

#### **Going concern**

Notwithstanding net current liabilities of £2,487,189 as at 31 March 2020 and operating cash outflows for the year of £3,254,093 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 2020 amounted to £17,300,000. 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:

## TORRENT PHARMA (UK) LTD

### 1. 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. The company doesn't also undertake any consignment stock and bill and hold arrangements. However, the company had offered bulk rebate to some of it's major customers during the year which had a positive impact on the revenue. Under IFRS 15, volume discounts/rebates is a type of variable consideration which must be considered while recognizing the revenue. Thus, as a company, we have recorded revenue at the amount it expects to receive (net of discounts/rebates). Thereby, 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.. Management has reviewed IFRS 15 applicable from 1 April 2018 and there are no adjustments to previously reported numbers.
- 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 has impacted in the recognition of a right to use asset of £1.15m and a corresponding lease liability was created. The Lease liability was created based on the Present value of all the future outlay of payments at weighted average incremental borrowing rate of 4.75%.
- 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	<b>EMPLOYEES AND DIRECTORS</b>	<b>2020</b>	<b>2019</b>
		£	£
	Wages and salaries	1,253,709	937,922
	Social security costs	150,281	104,456
	Pension costs	48,539	13,265
		<b>1,452,529</b>	<b>1,055,643</b>
	Employees	<b>19</b>	17
	Directors	<b>4</b>	5
		<b>23</b>	<b>22</b>
	Director's Wages & Salaries	£263,506	£222,913
	Director's pension	£ 8,320	£5,532
	Director's remuneration	£ 271,826	£ 228,445
	Highest paid directors		
	Wages & Salaries	£263,506	£147,625
	Pension	£8,320	£2,400
	Total remuneration	£271,826	£150,025
		<b>388,134</b>	<b>258,302</b>
3	<b>NET FINANCE COSTS</b>	<b>2020</b>	<b>2019</b>
	Finance costs:	£	£
	Interest on group loan	337,824	258,302
	Interest on RTU Lease Assets	50,310	-
		<b>388,134</b>	<b>258,302</b>
	Net finance costs	<b>388,134</b>	<b>258,302</b>
4	<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		
	The loss before income tax is stated after charging:	<b>2020</b>	<b>2019</b>
		£	£
	Depreciation - owned assets	152,918	10,160
	Drug licences amortisation	305,624	140,093
	Impairment of drug licences	562,588	519,431
	Auditor remuneration	18,500	25,413
	Foreign exchange differences	93,561	47,272
	Rent- Short Term Lease	20,540	18,144

The notes form part of these financial statements

## TORRENT PHARMA (UK) LTD

### 5 INCOME TAX

<b>Analysis of tax income</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Current tax:		
Tax	-	-
Deferred tax	<b>843,445</b>	26,282
Total tax income in statement of profit or loss and other comprehensive income	<b>843,445</b>	26,282

### 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:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit/Loss on ordinary activities before income tax	<b>269,119</b>	(461)
Profit/Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	<b>51,133</b>	(88)
Effects of:		
Expenses not deductible	<b>35,002</b>	38,062
Deferred tax assets recognised	<b>801,238</b>	
Deferred tax liability reversed	<b>42,207</b>	
Current year tax losses/(profit) for which no deferred tax asset was recognised		(11,692)
Losses utilised during the period	<b>(86,135)</b>	
Tax expense/(income)	<b>843,445</b>	26,282

The notes form part of these financial statements

## TORRENT PHARMA (UK) LTD

### 6 INTANGIBLE ASSETS

	Drug Licences £ COST	Software Licences £ COST	Total £ COST
At 1 April 2019	6,121,937	33,527	6,155,464
Additions	56,309	5,000	61,309
Impairment	(562, 588)	-	(562,588)
Re-classified to non-current assets held for sale	(193,599)		(193,599)
At 31 March 2020	<u>5,422,059</u>	<u>38,527</u>	<u>5,460,586</u>
<b>AMORTISATION</b>			
At 1 April 2019	299,460	7,265	306,725
Amortisation for year	298,503	7,122	305,625
At 31 March 2020	<u>597,963</u>	<u>14,387</u>	<u>612,350</u>
<b>NET BOOK VALUE</b>			
At 31 March 2020	<u>4,824,096</u>	<u>24,140</u>	<u>4,848,236</u>
At 1 April 2018	6,505,134	33,527	6,538,661
Additions	136,234	-	136,234
Impairment	(519,431)	-	(519,431)
At 31 March 2019	<u>6,121,937</u>	<u>33,527</u>	<u>6,155,464</u>
<b>AMORTISATION</b>			
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>306,725</u>
<b>NET BOOK VALUE</b>			
At 31 March 2019	<u>5,822,478</u>	<u>26,262</u>	<u>5,848,740</u>

Impairment of intangibles of £562,588 (2019: £519,431) done at the end of the year after impairment testing.

Assets held for sales are pharmaceutical drug licences which are not expected to add economic benefits if added to Torrent Pharma (UK) Ltd's product portfolio, however, would be able to add financial benefits through sale.

The notes form part of these financial statements

**TORRENT PHARMA (UK) LTD**

**7 PROPERTY, PLANT AND EQUIPMENT**

	Right to use Assets £	Improvements to property £	Office equipment £	Office furniture & fittings £	Computer equipment £	Totals £
<b>COST</b>						
At 1 April 2019	-	183,244	13,007	72,161	42,109	310,521
Transfer	10,815	(13,308)	1,443	1,050		-
Additions	1,134,234	4,725	8	1,050	1,199	1,142,016
At 31 March 2020	1,145,049	174,661	14,458	74,261	44,108	1,452,537

**DEPRECIATION**

At 1 April 2019	-	17,176	3,965	8,825	22,837	52,803
Charge for year	119,484	14,436	1,430	7,408	10,160	152,918
At 31 March 2020	119,484	31,612	5,395	16,233	32,997	205,721

**NET BOOK VALUE**

At 31 March 2020	1,025,565	143,049	9,063	58,028	11,111	1,246,816
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**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		183,244	13,007	72,161	42,109	310,521

**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		17,176	3,965	8,825	22,837	52,805

**NET BOOK VALUE**

At 31 March 2019		166,068	9,042	63,335	19,272	257,718
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The notes form part of these financial statements



**TORRENT PHARMA (UK) LTD**

<b>8</b>	<b>INVENTORIES</b>	<b>2020</b>	<b>2019</b>
		£	£
	Finished goods	<b>7,347,628</b>	7,441,989
	Cost of inventories recognized as expense	<b>14,406,448</b>	12,360,855
<b>9</b>	<b>TRADE AND OTHER RECEIVABLES</b>	<b>2020</b>	<b>2019</b>
		£	£
	Current:		
	Trade debtors	<b>5,767,888</b>	4,200,270
	Amounts owed by group undertakings	-	113,098
	Other debtors	<b>90,825</b>	95,447
	VAT	-	-
	Prepayments	<b>63,415</b>	67,893
		<b>5,922,128</b>	4,476,708

**The ageing of trade receivable at the balance sheet date was**

	<b>2020</b>	<b>2019</b>
	£	£
Not past due	<b>4,270,651</b>	4,045,113
Past due 0-30 days	<b>1,338,087</b>	74,170
Past due [31-120 days]	<b>107,720</b>	69,955
More than 120 days	<b>51,430</b>	11,032
<b>Total dues</b>	<b>5,767,888</b>	4,200,270

Other debtors include Rent Deposit of £87,480 which is not due within 1 year (2019: £87,480)

The value of the trade receivables past due which have not been provided is £1,497,237 (2019: £155,157).

<b>10</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2020</b>	<b>2019</b>
		£	£
	Cash in hand	<b>14</b>	98
	Bank accounts	<b>1,145,456</b>	1,068,718
		<b>1,145,470</b>	1,068,816
<b>11</b>	<b>CALLED UP SHARE CAPITAL</b>		
	Allotted, issued and fully paid:	Class:	Nominal
	Number:		value:
	225,000	Ordinary	£1
			<b>2020</b>
			<b>2019</b>
			£
			£
			<b>225,000</b>
			225,000

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## TORRENT PHARMA (UK) LTD

12	<b>RESERVES</b>	<b>Retained earnings</b>
		£
	At 1 April 2019	(4,149,867)
	Profit for the year	1,112,564
	At 31 March 2020	<u>(3,037,303)</u>

13	<b>TRADE AND OTHER PAYABLES</b>	<b>2020</b>	<b>2019</b>
	Current:	£	£
	Trade creditors	760,567	1,334,136
	Amounts owed to group undertakings: -		
	Loan	11,300,000	13,300,000
	Non-Loan	4,012,373	7,463,269
	Social security and Pension	51,754	33,057
	Accrued expenses	315,277	284,970
	Lease liability	100,136	-
	VAT	555,907	311,259
		<u>17,096,014</u>	<u>22,726,691</u>

Note (a): The company is exposed to foreign currency risks on an amount of £267,784 (2019: £1,004,375) 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.

## 14 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 5% for employer and 5% for employee for Apr 2019 to Mar 2020. The total expense relating to this plan for the current year was £48,539 (2019: £13,265).

## TORRENT PHARMA (UK) LTD

### 15 LEASING AGREEMENTS

Maturity analysis of lease payments (undiscounted) are as under

Within 1 year	£150,373 (2019: £120,814)
Between 2-5 years	£597,659 (2019: £598,937)
Above 5 years	£ 522,450 (2019: £729,000)

The expense relating to payments not included in the measurement of lease liability and charged to Profit & Loss is as follows:

Short term leases	£20,540
Lease of low value assets	£4,573
Variable lease payments	NIL

16	<b>DEFERRED TAX</b>	<b>2020</b>	<b>2019</b>
		£	£
	Balance at 1 April	(292,148)	(318,431)
	Deferred tax movement	843,445	26,283
	Balance at 31 March	<u>551,297</u>	<u>(292,148)</u>

Amount of unused tax losses for which no deferred tax asset is recognized is

	NIL	4,621,410
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Deferred tax liability was created on 31<sup>st</sup> March 2018 due to fair valuation of Licences of Aptil Pharma Ltd on business combination.

17	<b>OTHER NON-CURRENT LIABILITIES</b>	<b>2020</b>	<b>2019</b>
		£	£
	Amounts owed to group undertakings	6,000,000	-
	Lease Liability	934,694	-
	Dilapidation cost	36,769	-
	Total	<u>6,971,463</u>	-

### 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](http://www.torrentpharma.com).

The notes form part of these financial statements

## TORRENT PHARMA (UK) LTD

### 19 RELATED PARTY DISCLOSURES

#### 1. Key Management:

a) Short term benefits paid, including salary and benefits: £271,826 (2019:£356,873)

#### 2. Parent Company:

Torrent Pharmaceuticals Limited

a) Goods purchased from parent company in the year: £6,672,663 (2019: £7,057,158)

b) Expenses recharged to parent company in the year: NIL (2019: NIL)

c) Trade payables balance due to parent company at the year end: £3,917,645 (2019: £7,387.958)

d) Trade receivables balance due from parent company at the year end: NIL (2019: NIL)

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.

#### 3. 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: £17,300,000 (2019: £13,300,000)

b) Interest charged by group company on loan in the year: £337,824 (2019: £258,302)

c) Interest due on loan from group company unpaid at the year end: £94,728 (2019: £75,310)

ii) **Torrent Pharma Gmbh:**

A subsidiary of Torrent Pharmaceuticals Limited, the parent company.

a) Expenses recharged to the group company: NIL (2019: NIL)

b) Expenses recharged by the group company: £1,361 (2019: £1,376)

c) Trade payables balance owed to group company at the year end: NIL (2019: NIL)

### 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	2020	2019
Sales of goods	£ 20,125,600	£15,893,580
Primary geographical markets	UK	UK
<b>Timing of transfer of goods or services</b>		
Products transferred at a point in time	£ 20,125,600	£15,893,580

The notes form part of these financial statement

## TORRENT PHARMA (UK) LTD

### (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 31<sup>st</sup> March 2019.

	Note	2020	2019
Receivables	9	£ 5,767,888	£4,200,270

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

## 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 2020.