

Registered number: 02882063

STRIDES PHARMA UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

STRIDES PHARMA UK LTD

COMPANY INFORMATION

Directors	Mr V Kumar Mr V Rajasekar Mr M K Pillai Mr K T Parthasarathy Mr M Islam
Registered number	02882063
Registered office	Unit 4 The Metro Centre Dwight Road Watford England WD18 9SS
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditor 6th Floor 2 London Wall Place London EC2Y 5AU

STRIDES PHARMA UK LTD

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STRIDES PHARMA UK LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2020.

Business review

Sales and Performance

The business produced a set of strong results demonstrating good growth on the previous financial year 2018-2019.

During the year 2019-2020 sales increased substantially to £19.7m (2018-2019 £10.4m).

Profit for the year after tax 2019-20 were £3.2m (2018-2019 £3.0m).

EBITDA in 2019-2020 remained healthy at 20% (2018 -2019 25%) and is likely to continue at this level for 2020-2021.

The company had declared and paid a dividend of £2,001,600 during the year 2019-20. Shareholders' funds as at 31 March 2020 were £7.6m (31 March 2019 £6.4m).

The company specialises in marketing and distribution of branded generics and OTC molecules with a clear focus on quality, value, and sustainability.

In 2020/2021 the company will strengthen the team in areas such as sales and quality to help maintain the growth.

Business Development

Business development is the key growth driver for the business.

2019-2020 saw the introduction of new molecules Metformin XR, Trazadone and Ethosuximide.

2020-2021 is expected to grow more than 20% due to mix of volume/price increases and introduction of new products such as Amitriptyline, Gabapentin, Tadalafil, to the market.

Sales and Marketing

The company's overall sales performance demonstrates the company's continued ability to commercialise molecules over various verticals.

Key vertical to the business is the Clinical Commissioning Group (CCG) selling the branded generics portfolio.

In 2020/2021 we are looking at strengthening the sales team to help us focus on key verticals.

STRIDES PHARMA UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Principal risks and uncertainties

Principal risks affecting the business are operational risk and supply chain disruptions due to COVID-19.

Procurement

Since more than 90% of purchases are from entities within the Group the risk of supply defaults is minimised. In addition, transfer pricing arrangements have been finalised to eliminate the risk of price changes.

Currency

More than 95% of transactions are conducted in pound sterling (GBP) and hence the risk of currency exposure is negated.

Interest risk

Interest on loans are based on 3-month LIBOR which are currently at historical lows and are likely to remain low for the foreseeable future hence no action has been taken on interest hedges.

Credit and Liquidity

Careful screening of new customers and dealing with only established and reputable wholesalers have significantly reduced the risk of debtors' default and delays in collection. There have been no provisions for bad debts in 2019-2020 (2018-2019 Nil).

Other Operational risks

The company, as part of the operational performance have incorporated risk management tools such as risk registers, Business continuity & disaster recovery plans to identify and evaluate emerging risks early and to take corrective actions quickly to minimise risks.

Competition Risk

High competition levels will continue to be a factor in the sector particularly in the generic arena. Competitors are looking to emulate our successful business model in certain areas of our business. The company will strive to create and develop more verticals to contend with them.

Outlook

The emergence of COVID-19 virus and the consequent lockdown by UK government has had minimal disruptions because of the timely implementation of remote working practices. Business continues to operate with a marginal impact in quarter 1 performance due to disruption in inward movement of goods. This situation is expected to improve and recover from quarter 2 onwards.

The company sees opportunities post COVID-19 lockdown during the latter part of 2020. With a lean organisational structure and proactive management, the company is well equipped to leverage the opportunities into increased sales and profits in 2020-2021.

STRIDES PHARMA UK LTD

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

This report was approved by the board on 18 August 2020 and signed on its behalf.



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Mr V Rajasekar
Director

STRIDES PHARMA UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Results and dividends

The profit for the year, after taxation, amounted to £3,236,694 (2019 - £3,009,211).

Directors

The directors who served during the year were:

Mr V Kumar
Mr V Rajasekar
Mr M K Pillai
Mr K T Parthasarathy

Future developments

Please refer to the strategic report for details of future developments.

STRIDES PHARMA UK LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

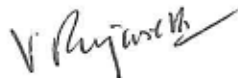
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 August 2020 and signed on its behalf.



Mr V Rajasekar
Director

STRIDES PHARMA UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF STRIDES PHARMA UK LTD

Opinion

We have audited the financial statements of Strides Pharma UK Ltd (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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 United Kingdom, including the Financial Reporting Council'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 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.

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

STRIDES PHARMA UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF STRIDES PHARMA UK LTD (CONTINUED)

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.

Opinion 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

STRIDES PHARMA UK LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF STRIDES PHARMA UK LTD
(CONTINUED)**

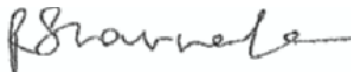
Auditor's responsibilities for the audit of the financial statements

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



Rakesh Shaunak (Senior Statutory Auditor)
for and on behalf of
MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5AU
Date: 18 August 2020

STRIDES PHARMA UK LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

		2020 £	2019 £
Turnover	4	19,671,834	10,426,208
Cost of sales		(13,476,434)	(6,197,536)
Gross profit		6,195,400	4,228,672
Administrative expenses		(2,458,859)	(1,164,321)
Operating profit		3,736,541	3,064,351
Interest receivable and similar income	8	25,431	521
Interest payable and expenses	9	(141,922)	(31,623)
Profit before tax		3,620,050	3,033,249
Tax on profit	10	(383,356)	(24,038)
Profit for the financial year		3,236,694	3,009,211

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 15 to 30 form part of these financial statements.

STRIDES PHARMA UK LTD
REGISTERED NUMBER: 02882063

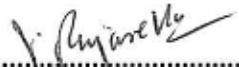
BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	6,371,007	182,623
Tangible assets	12	711,691	606,482
		<u>7,082,698</u>	<u>789,105</u>
Current assets			
Stocks	13	3,837,402	2,206,622
Debtors: amounts falling due within one year	14	9,202,052	4,398,520
Cash at bank and in hand	15	960,166	97,017
		<u>13,999,620</u>	<u>6,702,159</u>
Creditors: amounts falling due within one year	16	(8,528,261)	(1,050,708)
Net current assets		<u>5,471,359</u>	<u>5,651,451</u>
Total assets less current liabilities		<u>12,554,057</u>	<u>6,440,556</u>
Creditors: amounts falling due after more than one year	17	(4,851,393)	-
Provisions for liabilities			
Deferred tax	20	(62,141)	(35,127)
		<u>(62,141)</u>	<u>(35,127)</u>
Net assets		<u>7,640,523</u>	<u>6,405,429</u>
Capital and reserves			
Called up share capital		14,400	14,400
Share premium account	21	2,370,600	2,370,600
Profit and loss account	21	5,255,523	4,020,429
		<u>7,640,523</u>	<u>6,405,429</u>

STRIDES PHARMA UK LTD
REGISTERED NUMBER: 02882063

BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


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Mr V Rajasekar
Director

Date: 18 August 2020

The notes on pages 15 to 30 form part of these financial statements.

STRIDES PHARMA UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2018	14,400	2,370,600	1,011,218	3,396,218
Comprehensive income for the year				
Profit for the year	-	-	3,009,211	3,009,211
Total comprehensive income for the year	-	-	3,009,211	3,009,211
At 1 April 2019	14,400	2,370,600	4,020,429	6,405,429
Comprehensive income for the year				
Profit for the year	-	-	3,236,694	3,236,694
Total comprehensive income for the year	-	-	3,236,694	3,236,694
Dividends: Equity capital	-	-	(2,001,600)	(2,001,600)
At 31 March 2020	14,400	2,370,600	5,255,523	7,640,523

The notes on pages 15 to 30 form part of these financial statements.

STRIDES PHARMA UK LTD

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

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	3,236,694	3,009,211
Adjustments for:		
Amortisation of intangible assets	92,900	7,312
Depreciation of tangible assets	54,966	46,824
Interest paid	141,922	31,623
Interest received	(25,431)	(521)
Taxation charge	383,356	24,038
(Increase) in stocks	(1,630,780)	(313,178)
(Increase) in debtors	(2,645,848)	(1,678,604)
(Increase) in amounts owed by groups	(2,157,685)	(524,583)
(Decrease)/increase in creditors	(38,554)	549,458
Increase/(decrease) in amounts owed to groups	1,077,997	(1,110,337)
Corporation tax (paid)/received	(461,646)	77,929
Net cash generated from operating activities	(1,972,109)	119,172
Cash flows from investing activities		
Purchase of intangible fixed assets	(6,281,284)	(182,623)
Purchase of tangible fixed assets	(160,174)	(32,906)
Interest received	25,431	521
Net cash from investing activities	(6,416,027)	(215,008)

STRIDES PHARMA UK LTD

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

	2020 £	2019 £
Cash flows from financing activities		
New secured loans	11,394,807	-
Dividends paid	(2,001,600)	-
Interest paid	(141,922)	(31,623)
Net cash used in financing activities	<u>9,251,285</u>	<u>(31,623)</u>
Net increase/(decrease) in cash and cash equivalents	<u>863,149</u>	<u>(127,459)</u>
Cash and cash equivalents at beginning of year	97,017	224,476
Cash and cash equivalents at the end of year	<u><u>960,166</u></u>	<u><u>97,017</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	960,166	97,017
	<u><u>960,166</u></u>	<u><u>97,017</u></u>

The notes on pages 15 to 30 form part of these financial statements.

STRIDES PHARMA UK LTD

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

1. General information

Strides Pharma UK Ltd is a private company limited by shares incorporated in England and Wales. The principal activity during the year continued to be that of the distribution of pharmaceutical products. The registered office address is Unit 4, The Metro Centre Dwight Road, Watford WD18 9SS. The functional and presentational currency is GBP and the accounts are rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and financial statements.

STRIDES PHARMA UK LTD

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

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'administration expenses'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

STRIDES PHARMA UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

STRIDES PHARMA UK LTD

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

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

STRIDES PHARMA UK LTD

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

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line - buildings, 5% straight line - improvements
Fixtures and fittings	- 20% straight line
Office equipment	- 20% straight line
Lab equipment	- 11% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

STRIDES PHARMA UK LTD

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

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

STRIDES PHARMA UK LTD

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

2. Accounting policies (continued)

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgments, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgments, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgments, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

3.1 Critical judgments in applying the company's accounting policies

The following are considered to be critical judgments that the directors have made in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the statutory financial statements.

Useful lives of tangible and intangible fixed assets

The directors have decided upon depreciation and amortisation policies which are in line with industry standards, which taking external economic factors in to accounts where required.

Assessing indicators of stock impairment

In assessing whether there have been any indicators of impairment stock, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. An impairment loss has been accounted for slow-moving and stock obsolescence during the year.

Recoverability of debtors

The directors believe that all debtors at the year end are recoverable and no bad debt provision or write offs are required.

STRIDES PHARMA UK LTD

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

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sales	19,671,834	10,426,208
	<u>19,671,834</u>	<u>10,426,208</u>
	2020 £	2019 £
United Kingdom	19,671,834	10,426,208
	<u>19,671,834</u>	<u>10,426,208</u>

5. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	16,000	14,000

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	611,411	381,601
Social security costs	70,599	43,399
Cost of defined contribution scheme	16,176	11,274
	<u>698,186</u>	<u>436,274</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Employees	11	7

STRIDES PHARMA UK LTD

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

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	85,000	78,704
Company contributions to defined contribution pension schemes	4,250	3,710
	<u>89,250</u>	<u>82,414</u>

During the year retirement benefits were accruing to no directors (2019 - 1) in respect of defined contribution pension schemes.

8. Interest receivable

	2020 £	2019 £
Other interest receivable	25,431	521
	<u>25,431</u>	<u>521</u>

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	141,922	30,315
Other interest payable	-	1,308
	<u>141,922</u>	<u>31,623</u>

STRIDES PHARMA UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	348,929	105,304
Adjustments in respect of previous periods	7,413	(81,428)
	<u>356,342</u>	<u>23,876</u>
Total current tax	<u>356,342</u>	<u>23,876</u>
Deferred tax		
Origination and reversal of timing differences	23,375	71,584
Changes to tax rates	3,639	(71,422)
Total deferred tax	<u>27,014</u>	<u>162</u>
Taxation on profit on ordinary activities	<u>383,356</u>	<u>24,038</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>3,620,050</u>	<u>3,033,249</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	687,810	576,317
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,792	654
Capital allowances for year in excess of depreciation	16,372	(1,681)
Adjustments to tax charge in respect of prior periods	7,413	(81,428)
Other timing differences leading to an increase (decrease) in taxation	3,303	(87)
Group relief	(333,334)	(469,737)
Total tax charge for the year	<u>383,356</u>	<u>24,038</u>

STRIDES PHARMA UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Intangible assets

	Licences £	Assets under development £	Total £
Cost			
At 1 April 2019	2,472,968	182,623	2,655,591
Additions	6,281,284	-	6,281,284
Reclassified to held for sale	182,623	(182,623)	-
At 31 March 2020	<u>8,936,875</u>	<u>-</u>	<u>8,936,875</u>
Amortisation			
At 1 April 2019	2,472,968	-	2,472,968
Charge for the year on owned assets	92,900	-	92,900
At 31 March 2020	<u>2,565,868</u>	<u>-</u>	<u>2,565,868</u>
Net book value			
At 31 March 2020	<u>6,371,007</u>	<u>-</u>	<u>6,371,007</u>
At 31 March 2019	<u>-</u>	<u>182,623</u>	<u>182,623</u>

STRIDES PHARMA UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. Tangible fixed assets

	Freehold property £	Fixtures and fittings £	Office equipment £	Lab equipment £	Total £
Cost or valuation					
At 1 April 2019	343,062	36,051	147,650	334,246	861,009
Additions	-	-	160,174	-	160,174
At 31 March 2020	<u>343,062</u>	<u>36,051</u>	<u>307,824</u>	<u>334,246</u>	<u>1,021,183</u>
Depreciation					
At 1 April 2019	38,796	29,735	110,804	75,192	254,527
Charge for the year on owned assets	1,703	3,166	12,958	37,138	54,965
At 31 March 2020	<u>40,499</u>	<u>32,901</u>	<u>123,762</u>	<u>112,330</u>	<u>309,492</u>
Net book value					
At 31 March 2020	<u>302,563</u>	<u>3,150</u>	<u>184,062</u>	<u>221,916</u>	<u>711,691</u>
At 31 March 2019	<u>304,266</u>	<u>6,316</u>	<u>36,846</u>	<u>259,054</u>	<u>606,482</u>

13. Stocks

	2020 £	2019 £
Finished goods and goods for resale	3,837,402	2,206,622
	<u>3,837,402</u>	<u>2,206,622</u>

STRIDES PHARMA UK LTD

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

14. Debtors

	2020 £	2019 £
Trade debtors	4,646,462	3,143,397
Amounts owed by group undertakings	3,351,744	1,194,060
Other debtors	958,322	-
Prepayments and accrued income	245,524	61,063
	<u>9,202,052</u>	<u>4,398,520</u>

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	960,166	97,017
	<u>960,166</u>	<u>97,017</u>

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	6,543,414	-
Trade creditors	96,154	154,999
Amounts owed to group undertakings	1,294,071	216,074
Corporation tax	-	105,304
Other taxation and social security	24,761	426,659
Other creditors	106,934	-
Accruals and deferred income	462,927	147,672
	<u>8,528,261</u>	<u>1,050,708</u>

STRIDES PHARMA UK LTD

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

17. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	4,851,393	-
	<u>4,851,393</u>	<u>-</u>

18. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	6,543,414	-
	<u>6,543,414</u>	<u>-</u>
Amounts falling due 1-2 years		
Bank loans	1,438,139	-
	<u>1,438,139</u>	<u>-</u>
Amounts falling due 2-5 years		
Bank loans	3,413,254	-
	<u>3,413,254</u>	<u>-</u>
	<u>11,394,807</u>	<u>-</u>

The loans are secured by a £6m standby letter of credit issued by Strides Pharma Science Limited. The loan's rate of interest is 3-months LIBOR + 275 basis points. The repayment term is 6 months moratorium and 4 years.

STRIDES PHARMA UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

19. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	960,166	97,017
Financial assets that are debt instruments measured at amortised cost	5,604,784	3,143,397
	<u>6,564,950</u>	<u>3,240,414</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(96,154)</u>	<u>(154,999)</u>

Financial assets measured at fair value through profit or loss comprise of cash at bank.

Financial assets measured at amortised cost comprise of trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors.

20. Deferred taxation

	2020 £
At beginning of year	(35,127)
Charged to profit or loss	(27,014)
At end of year	<u>(62,141)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(62,141)	(35,127)
	<u>(62,141)</u>	<u>(35,127)</u>

STRIDES PHARMA UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

21. Reserves

Share premium account

This reserve represents the accumulated premium over the nominal value of share capital subscribed.

Profit and loss account

This reserve represents the accumulated profits and losses of the Company.

22. Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £16,176 (2019: £11,274). Contributions totalling £354 (2019 - £315) were payable to the fund at the balance sheet date and are included in creditors.

23. Related party transactions

As a wholly owned subsidiary undertaking the company has taken advantage of exemptions conferred by FRS102 paragraph 1AC.35 and has not separately disclosed transactions with other wholly owned subsidiaries of the ultimate parent company.

24. Post balance sheet events

There are no post balance sheet events that require reclassification in the 2020 accounts.

Given the nature of the company the COVID-19 crisis has not had a significant impact on the profitability of the company as the products the company offers is deemed critical and staff have been equipped to work remotely during the crisis.

25. Controlling party

The ultimate controlling entity is Strides Pharma Science Limited, a company registered in India. The registered office is 201, Devavrata, Sector 17, Vashi, Navi Mumbai – 400 703, India. The immediate parent company is Strides Pharma Global (UK) Limited, a company registered in England and Wales based at Unit 4, Metro Centre, Dwight Road, Watford, Hertfordshire, WD18 9SS. This company has been consolidated within Strides Pharma Science Ltd. Copies of these accounts can be obtained from them.

STRIDES PHARMA UK LTD

**DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Turnover		19,671,834	10,426,208
Cost of Sales		(13,476,434)	(6,197,536)
Gross profit		<u>6,195,400</u>	<u>4,228,672</u>
Gross profit %		31.5 %	40.6 %
Less: overheads			
Administration expenses		(2,458,859)	(1,164,321)
Operating profit		<u>3,736,541</u>	<u>3,064,351</u>
Interest receivable		25,431	521
Interest payable		(141,922)	(31,623)
Profit for the year		<u>3,620,050</u>	<u>3,033,249</u>

STRIDES PHARMA UK LTD

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	2019 £
Turnover		
Sales	19,671,422	10,036,281
Other income	412	389,927
	<u>19,671,834</u>	<u>10,426,208</u>
	2020 £	2019 £
Cost of sales		
Closing stocks	4,606,098	87,636
Purchases	8,911,387	5,594,552
Direct manufacturing costs	(41,051)	515,348
	<u>13,476,434</u>	<u>6,197,536</u>

STRIDES PHARMA UK LTD

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 £	2019 £
Administration expenses		
Directors national insurance	11,988	9,698
Directors salaries	85,000	78,704
Directors pension costs	4,250	3,710
Staff salaries	526,411	302,897
Staff national insurance	58,611	33,701
Staff pension costs	11,926	7,564
Staff welfare	8,506	1,997
Entertainment	9,153	2,996
Hotels, travel and subsistence	93,088	52,662
Printing and stationery	6,925	4,741
Telephone and fax	7,628	7,838
Computer costs	13,998	7,399
General office expenses	90,006	28,864
Advertising and promotion	42,169	4,970
Trade subscriptions	978,020	557,813
Legal and professional	220,957	66,304
Audit and accountancy fees	40,000	35,178
Difference on foreign exchange	11,149	14,095
Rates	10,635	10,401
Light and heat	4,469	4,128
Cleaning	4,647	4,491
Insurances	25,153	22,179
Repairs and maintenance	5,509	4,662
Depreciation of tangible fixed assets	54,966	46,824
Amortisation of intangible fixed assets	92,900	7,312
Management charge	40,795	47,943
Profit on disposal of intangible fixed asset	-	(204,750)
	<u>2,458,859</u>	<u>1,164,321</u>
	2020 £	2019 £
Interest receivable		
Other interest receivable	25,431	521
	<u>25,431</u>	<u>521</u>

STRIDES PHARMA UK LTD

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	2019 £
Interest payable		
Bank loan interest payable	141,922	30,315
Other interest	-	1,308
	<u>141,922</u>	<u>31,623</u>