

Company registration number: 05835570

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2020

WOCKHARDT UK LIMITED

MENZIES
BRIGHTER THINKING

WOCKHARDT UK LIMITED

COMPANY INFORMATION

Directors	A Sahni G Urquhart G Venkatesan
Company secretary	J Wainwright
Registered number	05835570
Registered office	Ash Road North Wrexham Industrial Estate Wrexham LL13 9UF
Independent auditor	Menzies LLP Chartered Accountants & Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT
Bankers	National Westminster Bank Plc 33 Lord Street Wrexham LL11 1LP

WOCKHARDT UK LIMITED

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WOCKHARDT UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Principal activity and review of business

The principal activity of the company is the sale and distribution of pharmaceutical products and related services. The statement of Comprehensive income for the year is set out on page 10.

The Company has faced a challenging year, with pressure from a competitor on a major line and global difficulties with some API's resulting in non-availability of stocks. Sales of £70m were down by £13m (-16%) on 2019 sales of £83m, Profits Before Tax in the year have decreased from £1.8m to £1.6m, a decrease of 12%. The take up speed of our new Branded Generic division further exacerbated the reduced performance in the year.

The company has taken steps to ensure that such short-falls are more than compensated for in the coming Financial Year 2020/21.

The company has taken adequate measures to mitigate potential Warehousing and Inventory losses In relation to storage of the pharmaceutical products and introduced a Bar-Coding stock system in March 2020.

The company's payment policy in connection with supplies is aligned with realisations from customers resulting in a low working capital requirement for the business.

The company expects that with full availability of stocks from its suppliers and the launch of new products, in particular the continuing growth of a range of Branded Generic products, that it will achieve significantly increased sales this coming Financial Year 2020/21 and looks forward to a bright future following the challenges of recent years.

There is a continuing uncertainty with regards to the impact that Brexit may have on the Business but also a high confidence that as we provide medicinal product, our industry will be given a high priority as to what is required to ensure a continuous flow of products to patients.

The directors have great confidence in the strong growth prospects of the company.

Key performance indicators:

	12 months to 31 March 2020	12 months to 31 March 2019
Turnover (£'000)	70,107	83,079
Gross Profit Ratio	13.4%	12.6%
Operating Profit Ratio	2.2%	2.1%
Profit Before Tax (£'000)	1,554	1,759
Gross Profit/Operating Costs (times)	1.20	1.20
Net Current Assets (£'000)	14,323	12,959
Net Worth (£'000)	14,876	13,631
Training Days	48	120
Tonnes Carbon Emissions	3,884	3,645
Employee Attrition	9.4%	2%
Charities (£'000)	61	42
Creditor Days	54	73

WOCKHARDT UK LIMITED

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

2019/20 resulted in a shortfall against Budget of Sales performance, due partially to the continued pressure from a competitor entering a market in 2018 where the Company was previously the sole supplier. This resulted in a decrease in Sales during the year of £3.2m but also due to lost contracts with some of our OTC customers due to difficulties in consistent supply of product over the year (£11.5m).

The net worth of the company has increased from £13.6m to £14.9m, a reasonable 9% growth, given the difficulties encountered during the year.

The Company continues to provide opportunities to its employees for training and advancement in order to retain its best employees. The attrition ratio is consistent with both previous years and other similar companies in the area.

The company continues to support the environment by proactively promoting both waste recycling and reduction of waste wherever possible and has been successful in this year's level of carbon emissions by 7%.

Principal risks and uncertainties

The company has continued to efficiently manage its resources and maintain strong relationships with its customers and suppliers. Stock availability issues, particularly with critical lines, have highlighted the risks of single sourcing products. Steps have been taken to obtain alternative sourcing of critical products in order to safeguard stock availability in the future. The directors are confident that the continuing growth prospects of the company, due to the launch of new products in 2020/21 and growing market share of existing products wherever possible will result in increased turnover and profits providing the company the ability to grow even further.

The Company has assessed the risk of Covid-19 to its business for the next 12 months and is confident that due to the critical requirement priority of its products even though there has been some disruption to date, particularly product from India which is currently under full lockdown conditions, that it does not foresee any material impact to its expected performance for the financial year, and that any current disruption will be of a timing impact only.

The directors have considered the risks facing the company and continually address these to minimise any future impact.

Employees

The company's policy is to consult and discuss with employees, through unions and at staff meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through briefings reports and annual presentations. These seek to achieve a common awareness of the financial and economic factors affecting the company's performance.

The company is committed to a policy of treating all its employees and job applicants equally. None shall receive less favourable treatment or consideration on the grounds of race, colour, religion, nationality, ethnic origin, sex, disability, sexual orientation or marital status or shall be disadvantaged by any conditions of employment that cannot be justified as necessary on operational grounds.

The company's equal opportunity policy covers employment of disabled persons. Full and fair consideration is given to all applications for employment by the company. Continued employment is encouraged for employees becoming disabled during service through training, adaptation of work practices and flexible working hours.

The company is in full compliance of statutory legislation with regard to all of the above.

WOCKHARDT UK LIMITED

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

Directors' statement of compliance with duty to promote the success of the Company

The Directors have complied with the requirements of S172 of the Companies Act 2006.

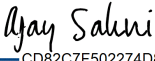
This has been a year of business as usual in a challenging environment dominated by the continued uncertainty surrounding the impact of Brexit. During the year the Directors conducted an Employee Engagement Survey which indicated some areas of improvement for engagement. The Directors will work to increase the engagement score using the findings from the survey and will repeat the survey at appropriate frequencies.

We have also implemented both a Global Ideas Portal (Brainwave) and a Local Ideas Portal, both via mobile apps. To keep employees informed there is a magazine produced at Global Level (Wockhardian) and another at Local Level (News Roundup).

The Directors conduct business with suppliers, customers and other stakeholders in line with the Wockhardt UK Limited Code of Conduct, as reflected in our Anti-Corruption, Bribery and Modern Slavery Policy, ensuring that Wockhardt UK Limited maintains the highest reputation for standards of conduct.

With regards to impact on the community and environment, Wockhardt UK Limited mission is embodied in the following statement "We believe that by investing in our people we can always be confident that the needs of our customers are met. Therefore our mission is to offer an enriching environment for professional and personal growth for every employee with an open, participative culture that permeates each level of the organisation".

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

DocuSigned by:

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A Sahni
Director

Date: 22-mai-2020

WOCKHARDT UK LIMITED

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

The directors who served during the year were:

A Sahni
G Urquhart
G Venkatesan

Dividends

The directors do not recommend the payment of a dividend.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Environmental matters - streamlined energy and carbon reporting

In accordance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 the Directors would like to disclose the following information for the year ended 31 March 2020. No information is present for comparative periods as this is the first period applying these regulations.

WOCKHARDT UK LIMITED

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

Carbon emissions plus intensity ratio (as per regulations)

	2020	2020
	'000 kWh	tonnes CO ₂ e
Scope 1 (direct emissions) - natural gas	346	64
Scope 2 (indirect emissions) - electricity	239	61
		tonnes CO ₂ e/£m
Intensity Metric		2
Scope 1 and 2 emissions/ sales revenue		2

Methodologies used within the calculation

The Company has used the actual KWH data from the monthly invoices it receives and then applied the "Government conversion factors for company reporting" to calculate the CO₂e content.

Energy efficient action taken this year

The Warehouse electricity costs are predominantly related to electrical light usage. During the year all lighting was replaced with energy saving LED lighting that will not only reduce operating costs but also extend the useful life of the lights.

Employee Involvement

The Company believes that employees are one of the most important elements of a successful business and set out in the Strategic report how engagement with employees takes place.

Engagement with suppliers, customers and others

The Company values highly the relationship it has with both its Suppliers and Customers and undertakes regular interaction to balance the needs of the Company with the Suppliers/Customer needs. In particular, Long-Term Supply Contracts, Payment Terms acceptable to both parties, Requirement information well in advance of needs.

Matters covered in the strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report, the information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes certain information that would have been included in the business review, details of principal risks and uncertainties and how engagement with employees takes place.

Auditor

The auditor, Menzies LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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.

WOCKHARDT UK LIMITED

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

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

DocuSigned by:

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A Sahni
Director

Date: 22-mai-2020

Ash Road North
Wrexham Industrial Estate
Wrexham
LL13 9UF

WOCKHARDT UK LIMITED



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOCKHARDT UK LIMITED

Opinion

We have audited the financial statements of Wockhardt UK Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 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.

WOCKHARDT UK LIMITED



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOCKHARDT UK LIMITED (CONTINUED)

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.

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.

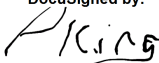
WOCKHARDT UK LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOCKHARDT
UK LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Philip King FCA (Senior Statutory Auditor)

for and on behalf of
Menzies LLP

Chartered Accountants & Statutory Auditor

Lynton House
7-12 Tavistock Square
London
WC1H 9LT
Date: 22-May-2020

WOCKHARDT UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £000	2019 £000
Turnover	4	70,107	83,079
Cost of sales		(60,723)	(72,616)
Gross profit		9,384	10,463
Distribution costs		(4,835)	(5,678)
Administrative expenses		(2,995)	(3,026)
Operating profit	5	1,554	1,759
Profit before tax		1,554	1,759
Tax on profit	9	(309)	(345)
Profit for the financial year		1,245	1,414
Other comprehensive income for the year			
Total comprehensive income for the year		1,245	1,414

The notes on pages 13 to 24 form part of these financial statements.

WOCKHARDT UK LIMITED

REGISTERED NUMBER:05835570

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	562	687
		<u>562</u>	<u>687</u>
Current assets			
Stocks	11	14,251	24,859
Debtors: amounts falling due within one year	12	26,860	30,313
Cash at bank and in hand	13	23,139	18,503
		<u>64,250</u>	<u>73,675</u>
Creditors: amounts falling due within one year	14	(49,927)	(60,716)
Net current assets		<u>14,323</u>	<u>12,959</u>
Total assets less current liabilities		<u>14,885</u>	<u>13,646</u>
Provisions for liabilities			
Deferred tax	15	(9)	(15)
		<u>(9)</u>	<u>(15)</u>
Net assets		<u>14,876</u>	<u>13,631</u>
Capital and reserves			
Called up share capital	17	50	50
Profit and loss account	18	14,826	13,581
		<u>14,876</u>	<u>13,631</u>

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

DocuSigned by:

Ajay Sahni

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A Sahni
Director

Date: 22-mai-2020

The notes on pages 13 to 24 form part of these financial statements.

WOCKHARDT UK LIMITED

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2018	50	12,167	12,217
Comprehensive income for the year			
Profit for the year	-	1,414	1,414
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,414	1,414
At 1 April 2019	50	13,581	13,631
Comprehensive income for the year			
Profit for the year	-	1,245	1,245
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,245	1,245
At 31 March 2020	50	14,826	14,876

The notes on pages 13 to 24 form part of these financial statements.

WOCKHARDT UK LIMITED

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

1. General information

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Wockhardt UK Limited is a private company, limited by shares, incorporated in United Kingdom under the Companies Act. The address of the registered office is given on the company information page. The principal activities of the company and the nature of its operations are set out in the strategic report on page 1.

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 financial statements are presented in pound sterling, which is the functional currency of the entity.

The financial statements are rounded to the nearest thousand.

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

2.2 Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Wockhardt Limited which can be obtained from Wockhardt Limited, Wockhardt Towers, Bandra Kurla Complex, (Bandra East), Mumbai 400051, Maharashtra, India. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

2.3 Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. Turnover is recognised on despatch of product. Value added tax is excluded from turnover.

WOCKHARDT UK LIMITED

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

2. Accounting policies (continued)

2.4 Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2.5 Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

2.6 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.

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:

Plant and machinery	- 4-10 years straight line
Fixtures and fittings	- 4-8 years straight line
Computer equipment	- 2-5 years 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.

Depreciation commences from the date that the asset is brought into use.

2.7 Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Stock is turned around on a first in first out basis whilst the cost of stock is valued at moving weighted average price. Where necessary, provision is made for obsolete, slow moving and defective stocks.

WOCKHARDT UK LIMITED

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

2. Accounting policies (continued)

2.8 Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

2.9 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.

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.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

2.10 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 resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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

WOCKHARDT UK LIMITED

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

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. The actual amounts and results could differ from those estimates. The judgements and estimates are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Turnover

In the recognition of revenue in accordance with the accounting policy the management consider the detailed criteria for the revenue recognition from the sale of goods and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future end, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Turnover (sales rebates and discounts)

The Company's turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and internally generated information.

Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Company.

Impairment of stocks and trade debtors

The management include impairment provisions for any potential obsolete stock or irrecoverable trade debtors which are estimated based on the age of the stock or trade debtors and provide fully against any known irrecoverable amounts.

WOCKHARDT UK LIMITED

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 £000	2019 £000
Sale of goods	70,107	83,079
	<u>70,107</u>	<u>83,079</u>

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	69,887	83,045
Rest of Europe	220	34
	<u>70,107</u>	<u>83,079</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Exchange differences	15	18
Other operating lease rentals	295	420
	<u>295</u>	<u>420</u>

6. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	29	28
	<u>29</u>	<u>28</u>

Fees payable to the Company's auditor and its associates in respect of:

Audit-related assurance services	25	7
Taxation compliance services	3	4
All other services	2	-
	<u>30</u>	<u>11</u>

WOCKHARDT UK LIMITED

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

7. Staff costs

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

	2020	<i>2019</i>
	£000	<i>£000</i>
Wages and salaries	2,848	<i>3,032</i>
Social security costs	411	<i>356</i>
Cost of defined contribution scheme	185	<i>197</i>
	3,444	<i>3,585</i>

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

	2020	<i>2019</i>
	No.	<i>No.</i>
Distribution staff	38	<i>39</i>
Administrative staff	37	<i>36</i>
	75	<i>75</i>

8. Directors' remuneration

	2020	<i>2019</i>
	£000	<i>£000</i>
Directors' emoluments	109	<i>150</i>
Directors pension costs	6	<i>9</i>
	115	<i>159</i>

During the year retirement benefits were accruing to 1 director (*2019 - 1*) in respect of defined contribution pension schemes.

WOCKHARDT UK LIMITED

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

9. Tax on profit on ordinary activities

	2020 £000	2019 £000
Current tax		
Group taxation relief - amount payable to group entity in respect of profits surrendered	315	349
	<u>315</u>	<u>349</u>
Total current tax	<u>315</u>	<u>349</u>
Deferred tax		
Origination and reversal of timing differences	(8)	(4)
Changes to tax rates	2	-
	<u>(6)</u>	<u>(4)</u>
Total deferred tax	<u>(6)</u>	<u>(4)</u>
Taxation on profit on ordinary activities	<u>309</u>	<u>345</u>

Reconciliation of tax expense

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

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>1,554</u>	<u>1,759</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	295	334
Effects of:		
Effect of expenses not deductible for tax purposes	2	-
Capital allowances for year in excess of depreciation	-	(4)
Other tax adjustments	10	15
Changes to tax rates on deferred tax	2	-
Total tax charge for the year	<u>309</u>	<u>345</u>

Legislation was introduced in the Finance (no 2) 2015 reducing the rate to 19% from 1 April 2017 and in budget 2016 it as announced that this would further reduce to 17% from 1 April 2020. However, in Budget 2020, it was announced that the rate of corporation tax would be 19% from 1 April 2020 and also from 1 April 2021.

The deferred tax has therefore been provided at 19%.

WOCKHARDT UK LIMITED

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

9. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

The company does not anticipate that a material amount of deferred tax asset will reverse in the following year.

10. Tangible fixed assets

	Assets under construction £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 April 2019	68	988	213	69	1,338
Additions	13	-	12	-	25
Transfers between classes	(25)	-	25	-	-
At 31 March 2020	<u>56</u>	<u>988</u>	<u>250</u>	<u>69</u>	<u>1,363</u>
Depreciation					
At 1 April 2019	-	489	136	24	649
Charge for the year on owned assets	-	121	21	10	152
At 31 March 2020	<u>-</u>	<u>610</u>	<u>157</u>	<u>34</u>	<u>801</u>
Net book value					
At 31 March 2020	<u>56</u>	<u>378</u>	<u>93</u>	<u>35</u>	<u>562</u>
At 31 March 2019	<u>68</u>	<u>499</u>	<u>76</u>	<u>45</u>	<u>688</u>

11. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	14,251	24,859
	<u>14,251</u>	<u>24,859</u>

WOCKHARDT UK LIMITED

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

12. Debtors

	2020 £000	2019 £000
Trade debtors	6,371	10,601
Amounts owed by group undertakings	18,392	19,468
Other debtors	1,876	106
Prepayments and accrued income	221	138
	<u>26,860</u>	<u>30,313</u>

13. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	<u>23,139</u>	<u>18,503</u>

14. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	1,718	2,179
Amounts owed to group undertakings	46,719	52,268
Other taxation and social security	1,025	2,516
Other creditors	27	3,360
Accruals and deferred income	438	393
	<u>49,927</u>	<u>60,716</u>

WOCKHARDT UK LIMITED

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

15. Deferred taxation

	2020 £000	2019 £000
At beginning of year	(15)	(19)
Charged to the profit or loss	6	4
At end of year	(9)	(15)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(9)	(15)
	(9)	(15)

16. Employee benefits

Defined contribution plans

During the period, the Company operated a defined contribution pension 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 £185k (2019: £197k). The outstanding pensions creditor at 31 March 2020 of £27k (2019: £31k) is shown within other creditors.

17. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
50,000 (2019 - 50,000) Ordinary shares of £1.00 each	50	50

18. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

WOCKHARDT UK LIMITED

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

19. Capital commitments

At 31 March 2020 the Company had capital commitments as follows:

	2020 £000	<i>2019</i> <i>£000</i>
Tangible assets	19	<i>38</i>

20. Operating leases

At 31 March 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	<i>2019</i> <i>£000</i>
Not later than 1 year	238	<i>273</i>
Later than 1 year and not later than 5 years	59	<i>343</i>
	297	<i>616</i>

21. Contingencies

The Company, together with CP Pharmaceuticals Limited, Wockhardt UK Holdings Limited, Pinewood Healthcare Limited and Wallis Group Limited and its subsidiaries, have an unlimited cross-charge to secure the Group borrowings. As at 31 March 2020 this amounted to £21,009k (2019: £16,890k).

The Company, along with others within the Wockhardt Limited Group, acts as a joint guarantor to a facility agreement dated 27 June 2016 on behalf of Wockhardt Bio AG. The maximum liability is USD\$250m. The directors do not currently consider that any liability will arise.

22. Related party transactions

The Company is exempt under FRS 102 paragraph 33.1A from disclosing related party transactions with entities that are part of the Wockhardt Bio AG group. Transactions and balances with other group companies within the Wockhardt Limited group are as follows:

As at 31 March 2020, the balance receivable from Wockhardt Limited by Wockhardt UK Limited was £138k (2019: £477k) and the balance payable to Wockhardt UK Holdings Limited by Wockhardt UK Limited was £7,000k (2019: £7,000k).

WOCKHARDT UK LIMITED

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

23. Information about parent undertaking and controlling party

The immediate parent company is Wockhardt Bio AG, a company incorporated in Switzerland. The results of the Company are included in the Wockhardt Bio AG consolidated financial statements, and this is the smallest group for which group accounts are drawn up. Group accounts are available to the public and can be obtained from:

Wockhardt Bio AG
Grafenauweg 6
6300 Zug
Switzerland

www.wockhardtbio.com/media/news.html

The ultimate parent company is Wockhardt Limited, a company incorporated in India. The results of the Company are included in the Wockhardt Limited consolidated financial statements, and this is the largest group for which group accounts are drawn up. Group accounts are available to the public and can be obtained from:

Wockhardt Limited
Wockhardt Towers
Bandra Kurla Complex, Bandra (East)
Mumbai 400051
Maharashtra, India

www.wockhardt.com/investor-connect/annual-reports.aspx

The ultimate controlling party is H F Khorakiwala and family. H F Khorakiwala is chairman of Wockhardt Limited.