

Registrar's Copy

Veriton Pharma Limited

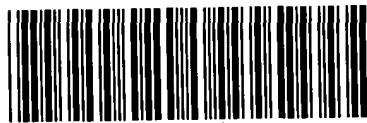
Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 03305136

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Veriton Pharma Limited

Company Information

Directors	Dr G A March T A Wallis J A Saiban Dr S P Jones R W Wild C J Grimes C I March Dr H M T Aiken
Company secretary	Derringtons Limited
Registered number	03305136
Registered office	Unit 16 Trade City Avro Way Brooklands Business Park Weybridge Surrey KT13 0YF
Independent auditor	BDO LLP Thames Tower Level 12 Station Road Reading Berkshire RG1 1LX

Veriton Pharma Limited

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Veriton Pharma Limited

Strategic Report For the Year Ended 31 December 2019

The Directors present their Strategic report together with the audited financial statements for the year ended 31 December 2019.

The comparatives present the results for the 11 month period from 1 February 2018 to 31 December 2018.

Principal activities

Veriton Pharma Limited develops and sells a range of both licensed and unlicensed medicinal products which improve the therapy available to patients with epilepsy, neurology and rare pediatric conditions. The Company is based in the UK and has sales offices in the Middle East and Australia.

Business review

The Company is profitable and cash-generative, and the Directors are satisfied with the Company's trading position and the profits for the year which are set out in the statement of comprehensive income on page 9.

The Directors report a turnover of £16.7m for the year ended 31st December 2019 compared to a turnover of £11.5m in the 11 month period to 31 December 2018. Adjusting for the shortened 2018 accounting period, this represents an increase in turnover of 33%.

Key performance indicators

The Company's key financial performance indicators during the period were as follows:

	Year ended 31 December 2019	11 months ended 31 December 2018
Turnover	£16.7m	£11.5m
Gross profit %	63%	60%
Profit after tax	£0.8m	£0.1m
Cash	£4.4m	£2.1m

The Directors are satisfied with the performance of the Company against these key performance indicators.

Veriton Pharma Limited

Strategic Report (continued)
For the Year Ended 31 December 2019

Principal risks and uncertainties

The Directors consider that the main business risks relate to regulatory legislation.

The Company's business is mainly regulated by healthcare regulators in the territories in which it operates, and any changes in regulatory requirements could impact the Company's activities. To reduce this risk, the Directors closely monitor changes to legislation to ensure that potential impacts are fully understood and managed.

The Company also monitors a number of non-financial key performance indicators (KPIs) to ensure that the Company maintains high levels of product quality and customer service. These non-financial KPIs include quality complaints, product quality, delivery performance, pharmacovigilance and medical information enquiries.

Coronavirus (covid-19)

The recent covid-19 outbreak has caused significant macro-economic uncertainty, the scale and duration of which remains uncertain. To mitigate the risks associated with covid-19, the Company closed its offices in the UK on 19th March and since that date its employees have been working remotely from their homes. This has caused minimal disruption and all of the Company's key functions are operating as normal. In the UK, the Company's 3rd party manufacturing organisations, its 3rd party logistics providers, its wider supply chain and its customers operate within the pharmaceutical sector and are therefore covered by the UK government's 'key worker' status exemptions. As such, the Company operates within a very robust, resilient sector of the economy.

Key financial risks

The Directors consider that the main financial risks faced by the Company relate to:

- (a) **Price Risk**
The company is exposed to price inflation for raw materials, products and services. This is mitigated through putting in place contracts with key suppliers and manufacturers. As part of price risk the Company is also exposed to foreign exchange movement.
- (b) **Credit Risk**
To mitigate credit risk, the Company performs appropriate credit checks on potential customers and monitors sales to customers to ensure that credit limits are not exceeded.
- (c) **Liquidity Risk**
In respect of liquidity risk, the Company monitors cash balances on a weekly basis and prepares cash flow forecasts on a monthly basis to ensure the Company has sufficient funds to meet future obligations.
- (d) **Cash flow Risk**
The Company has strong budgeting and reporting procedures which allow the Directors to understand and manage all aspects of the business including cash flows to ensure that sufficient resources are available for the Company to meet its financial obligations.

This report was approved by the board on

30 April 2020

and signed on its behalf.



Dr G A March
Director

Veriton Pharma Limited

Directors' Report For the Year Ended 31 December 2019

The Directors present their report and the financial statements for Veriton Pharma Limited (the 'Company') for the year ended 31 December 2019.

The comparatives present the results for the 11 month period from 1 February 2018 to 31 December 2018.

Principal activity

The principal activity of the business continues to be the sale and development of licensed and unlicensed medicines.

The business review, principal risks and uncertainties and other business reporting is detailed in the Strategic report as required by the Companies Act 2006 S414C (11).

Results and dividends

The profit for the year, after taxation, amounted to £844,379 (period ended 31 December 2018 - £80,432).

The Directors do not recommend the payment of a dividend (period ended 31 December 2018 - £Nil).

Directors

The Directors who served during the year were:

Dr G A March
T A Wallis
J A Saiban
Dr S P Jones
R W Wild
C J Grimes
C I March
Dr H M T Aiken

Qualifying third party indemnity provisions

The Company has arranged qualifying third party indemnity for all of its Directors.

Veriton Pharma Limited

Directors' Report (continued) For the Year Ended 31 December 2019

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

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of the covid-19 outbreak, the scale and duration of which remains uncertain. The impact of covid-19 on the Company has been considered by the board and as part of this process, the Company's cash flow forecasts have been stress-tested and various different scenarios have been modelled. Having reviewed the various different scenarios the Board believes the Company is well placed to withstand the challenge; the Company has a robust supply chain supplying pharmaceutical products and a well-established, broad customer base. Furthermore, the Company has strong cash flows, healthy bank balances and no borrowings. The directors believe that the challenges caused by covid-19 are temporary and that any revenues lost in the short term will be made up over the course of the financial year. The directors therefore believe that the Company will be able to continue trading with minimal impact on the business for the 12 months following on from signing the accounts.

Auditor

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

This report was approved by the board on 30 April 2020 and signed on its behalf.



Dr G A March
Director

Veriton Pharma Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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.

Veriton Pharma Limited

Independent Auditor's Report to the Members of Veriton Pharma Limited

Opinion

We have audited the financial statements of Veriton Pharma Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 December 2019 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Veriton Pharma Limited

Independent Auditor's Report to the Members of Veriton Pharma Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report 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 and 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.

Veriton Pharma Limited

Independent Auditor's Report to the Members of Veriton Pharma Limited (continued)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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



Christopher Pooles (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

Date: 04 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Veriton Pharma Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Turnover	4	16,692,941	11,467,115
Cost of sales		(6,137,437)	(4,565,528)
Gross profit		10,555,504	6,901,587
Administrative expenses		(9,660,254)	(7,014,497)
Operating profit/(loss)	5	895,250	(112,910)
Interest receivable and similar income		19,188	23,867
Profit/(loss) before tax		914,438	(89,043)
Tax on profit/(loss)	8	(70,059)	169,475
Profit and total comprehensive profit for the financial year/period		844,379	80,432

The notes on pages 12 to 28 form part of these financial statements.

Veriton Pharma Limited
Registered number:03305136

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	9		168,547		249,924
Investments	10		71,260		71,260
			<u>239,807</u>		<u>321,184</u>
Current assets					
Stocks	12	1,867,700		1,256,011	
Debtors: amounts falling due within one year	13	4,584,075		3,495,123	
Bank and cash balances		4,384,572		2,114,566	
		<u>10,836,347</u>		<u>6,865,700</u>	
Creditors: amounts falling due within one year	15	<u>(2,690,812)</u>		<u>(2,136,554)</u>	
Net current assets			<u>8,145,535</u>		<u>4,729,146</u>
Total assets less current liabilities			<u>8,385,342</u>		<u>5,050,330</u>
Provisions for liabilities	16		(58,000)		(58,000)
Net assets			<u>8,327,342</u>		<u>4,992,330</u>
Capital and reserves					
Called up share capital	17		109		109
Capital contribution	19		2,574,236		83,603
Profit and loss account	19		5,752,997		4,908,618
			<u>8,327,342</u>		<u>4,992,330</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2020

G. A. March

Dr G A March
Director

The notes on pages 12 to 28 form part of these financial statements.

Veriton Pharma Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £	Capital contribution £	Profit and loss account £	Total equity £
At 1 February 2018	109	42,194	4,828,186	4,870,489
Comprehensive profit for the period				
Profit for the period	-	-	80,432	80,432
Total comprehensive profit for the period	-	-	80,432	80,432
Share option credit for the period	-	41,409	-	41,409
At 1 January 2019	109	83,603	4,908,618	4,992,330
Comprehensive profit for the year				
Profit for the year	-	-	844,379	844,379
Total comprehensive profit for the year	-	-	844,379	844,379
Share option credit for the year	-	2,490,633	-	2,490,633
At 31 December 2019	109	2,574,236	5,752,997	8,327,342

The notes on pages 12 to 28 form part of these financial statements.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Veriton Pharma Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006 (registration number 03305136). The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activity is set out in the Directors' report.

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 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of March Medical Limited as at 31 December 2019 and these financial statements may be obtained from Unit 16 Trade City, Avro Way, Brooklands Business Park, Weybridge, Surrey, KT13 0YF.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Going concern

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of the covid-19 outbreak. The Strategic report and the Directors' report set out the Company's position regarding covid-19 and after careful consideration and reviewing the Company's forecasts and cash flow projections under various different scenarios, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider the going concern basis to be appropriate and continue to adopt this basis in preparing the annual report and financial statements.

2.5 Turnover

Turnover represents the full list price of products shipped to wholesalers and other customers less product returns, discounts, commissions and other incentives based on the sales price, net of VAT.

Turnover from the sale of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment.

2.6 Royalties

Royalty payments represent amounts payable to collaborative partners and are charged to administrative expenses as incurred.

2.7 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:

Short term leasehold improvements	- Depreciated over the remaining life of the lease
Plant and machinery	- 5 years
Fixtures and fittings	- 10 years
Office equipment	- 3 years

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.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.9 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 first in, first out basis.

At each reporting 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 the statement of comprehensive income.

2.10 Financial instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

The Company's cash at bank, trade receivables, other debtors, trade payables and other creditors are measured initially at the transaction price, including transaction costs, and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in unlisted company shares (financial asset) are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss if their fair value can be measured reliably. Otherwise they are carried at cost less impairment.

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.

2.11 Foreign currency translation

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position dates. Any differences are taken to the statement of comprehensive income.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

2.13 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.14 Dilapidations provision

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their required condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

2.15 Pensions

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 statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.16 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.17 Research and development

Research and development expenditure is written off in the year in which it is incurred.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 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 reporting 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 statement of financial position 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.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

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

In preparing these financial statements, the Directors have made the following judgments:

- Stock provision

When calculating the stock provision, management considers the expiry dates and condition of the stock, as well as applying assumptions around anticipated salability of finished goods.

- Impairment of debtors

Management makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the ageing profile of the debtors and historical experience.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 9)

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Share based compensation

Under the fair value recognition provisions, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognised as expense over the vesting period. Determining the fair value of the share-based awards at the grant date requires significant judgment and the use of estimates, particularly surrounding Black Scholes valuation assumptions such as share price volatility and expected option term.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Turnover

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Sale of goods	16,692,941	11,467,115

Analysis of turnover by country of destination:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
United Kingdom	7,887,126	6,216,871
Rest of the world	517,913	344,403
Middle East	7,001,882	4,049,271
Europe	1,286,020	856,570
	16,692,941	11,467,115

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

5. Operating profit/loss

The operating profit/loss is stated after charging:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Share option charge	2,490,633	41,409
Cost of inventory	4,626,981	3,315,103
Research & development charged as an expense	809,627	562,698
Exchange differences	114,482	(108,697)
Depreciation of tangible fixed assets	105,883	74,235
Auditor's remuneration - audit services	27,000	21,000
- tax services	3,500	3,300
- other services	1,500	2,000
Pension costs	90,085	75,688
Operating lease expense	87,063	77,917
	<u>3,359,890</u>	<u>3,878,806</u>

6. Employees

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Wages and salaries	2,864,378	3,444,638
Social security costs	405,427	358,480
Cost of defined contribution scheme	90,085	75,688
	<u>3,359,890</u>	<u>3,878,806</u>

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

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
Number of employees	36	36
	<u>36</u>	<u>36</u>

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Directors' remuneration

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Directors' emoluments	1,390,714	2,358,356
Company contributions to defined contribution pension schemes	26,676	23,199
	<u>1,417,390</u>	<u>2,381,555</u>

During the year retirement benefits were accruing to 3 directors (period ended 31 December 2018 - 3) in respect of defined contribution pension schemes.

Emoluments of the highest paid director were £348,788 (period ended 31 December 2018 - £1,431,262).

8. Taxation

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Corporation tax		
Current tax on profit/(loss) for the year/period	451,750	(160,255)
Adjustments in respect of previous periods	28,892	(13,545)
	<u>480,642</u>	<u>(173,800)</u>
Deferred tax		
Origination and reversal of timing differences	(436,955)	4,365
Adjustments in respect of prior periods	26,372	(40)
Total deferred tax	<u>(410,583)</u>	<u>4,325</u>
Taxation on profit/(loss) on ordinary activities	<u>70,059</u>	<u>(169,475)</u>

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit/(loss) on ordinary activities before tax	914,438	(89,043)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	173,743	(16,918)
Effects of:		
Fixed asset differences	1,081	830
Expenses not deductible for tax purposes	(1,922)	8,115
Other permanent differences	-	5,364
Adjustment in respect of research and development tax credit leading to a decrease in the tax charge	(159,549)	(202,502)
Surrender of tax losses for research and development expenditure	-	49,735
Adjustment to tax charge in respect of prior periods	28,892	(13,545)
Adjustment to tax charge in respect of prior periods - deferred tax	26,372	(40)
Adjust deferred tax to average rate of 19.00%	51,406	(514)
Group relief claimed	(49,964)	-
Total tax charge for the year/period	70,059	(169,475)

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the Company's future tax charge accordingly. The deferred tax asset at 31 December 2019 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Tangible fixed assets

	Short-term leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 January 2019	236,425	233,238	79,730	148,628	698,021
Additions	-	683	1,792	22,031	24,506
At 31 December 2019	<u>236,425</u>	<u>233,921</u>	<u>81,522</u>	<u>170,659</u>	<u>722,527</u>
Depreciation					
At 1 January 2019	203,942	88,899	65,617	89,639	448,097
Charge for the year on owned assets	9,052	50,733	3,937	42,161	105,883
At 31 December 2019	<u>212,994</u>	<u>139,632</u>	<u>69,554</u>	<u>131,800</u>	<u>553,980</u>
Net book value					
At 31 December 2019	<u>23,431</u>	<u>94,289</u>	<u>11,968</u>	<u>38,859</u>	<u>168,547</u>
At 31 December 2018	<u>32,483</u>	<u>144,339</u>	<u>14,113</u>	<u>58,989</u>	<u>249,924</u>

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Fixed asset investments

	Investments in subsidiary companies £
Cost and net book value	
At 1 January 2019	71,260
At 31 December 2019	71,260

11. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Special Products Limited	UK	Ordinary	100%	Non trading entity
Veriton Pharma FZCO	UAE	Ordinary	80%	Sales office
Veriton Pharma PTY Limited	Australia	Ordinary	100%	Sales office

The registered address of the above subsidiary undertaking, Special Products Limited is Hyde Park House, 5 Manfred Road, London, SW15 2RS.

The registered address of the above subsidiary undertaking, Veriton Pharma FZCO is Dubai Airport Free Zone, Dubai, UAE.

The registered address of the above subsidiary undertaking, Veriton Pharma PTY Limited is Level 1 68 Alfred Street, Milsons Point, NSW 2016.

12. Stocks

	2019 £	2018 £
Finished goods	1,278,547	912,400
Raw materials	589,153	343,611
	1,867,700	1,256,011

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Debtors

	2019 £	2018 £
Trade debtors	3,043,309	2,303,597
Amounts owed by group undertakings	274,283	-
Other debtors	644,905	460,342
Prepayments and accrued income	204,412	152,882
Tax recoverable	-	571,719
Deferred taxation (note 14)	417,166	6,583
	4,584,075	3,495,123

All amounts shown are due for payment within one year.

The Directors are of the opinion that there will be probable future taxable profits to enable the recognition of the deferred tax asset.

14. Deferred taxation

	2019 £
At beginning of the year	6,583
Charged to profit or loss	410,583
At end of the year	417,166

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(20,383)	(31,850)
Short term timing differences	437,549	38,433
	417,166	6,583

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,216,954	653,006
Amounts owed to group undertakings	227,010	214,509
Corporation tax	114,622	-
Other taxation and social security	40,945	101,796
Accruals and deferred income	1,091,281	1,167,243
	2,690,812	2,136,554

16. Provisions

	Dilapidations £
At 1 January 2019	58,000
At 31 December 2019	58,000

The provision relates to the cost expected to be payable on restoring the Weybridge site to its original condition upon departure.

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,090,000 (2018 - 1,090,000) ordinary shares of £0.0001 each	109	109
	109	109

Each share has attached to it full voting rights, with no restrictions or other particulars.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Share based payments

By virtue of their directorships of Veriton Pharma Limited, certain directors were granted share options in March Medical Limited, the ultimate holding company, under the March Medical Limited Share Option Scheme. The options comprise Enterprise Management Options (EMI Options) which are tax approved and other unapproved options.

Under the schemes the options over the following shares are in issue:

S Jones - 51,621 B class shares
R Wild - 17,207 B class shares
C Grimes - 34,414 B class shares
H Aiken - 34,414 B class shares

During the year, T Wallis exercised share options for £5,967 and was subsequently issued with 9,472 B class shares in March Medical Limited.

As at 31 December 2019 there were options over 137,656 (period ended 31 December 2018 - 61,075) shares in March Medical Limited granted to 4 directors (period ended 31 December 2018 - 5 directors). Under the EMI scheme and unapproved share option scheme, options may only be exercised by the option holder upon meeting certain performance targets. During the year the 10,560 options issued in 2018 were modified to remove the vesting period and certain performance obligations, and have the same vesting conditions as the options issued during the year.

The share options are valued using the Black Scholes model and an amount of £2,490,633 (period ended 31 December 2018 - £41,408) was added to both the capital contribution reserve of Veriton Pharma Limited and share based payment expense charge.

19. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Capital contribution reserve

The capital contribution reserve represents the fair value of share options issued to directors.

20. Pension commitments

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. Contributions totalling £14,849 (period ended 31 December 2018 - £12,963) were payable to the fund at the reporting date and are included in other creditors.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

21. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases related to land and buildings as follows:

	2019 £	2018 £
Not later than 1 year	88,840	88,840
Later than 1 year and not later than 5 years	148,056	236,896
	<u>236,896</u>	<u>325,736</u>

22. Transactions with directors

See note 18 for share options issued to Directors.

During the year, the Company had a loan due from Dr G A March. The maximum amount of the loan during the year was £331,352 (period ended 31 December 2018 - £657,881), and the balance at the year end was £331,352 (period ended 31 December 2018 - £308,081). Interest is charged on the loan at the official HMRC rate and totalled £1,241 for the year (period ended 31 December 2018 - £12,763).

23. Related party transactions

Veriton Pharma FZCO is an 80% owned subsidiary of Veriton Pharma Limited. The subsidiary charged £769,000 (period ended 31 December 2018 - £583,000) during the year in respect of sales commissions. £726,009 (period ended 31 December 2018 - £631,339) of costs have been paid on behalf of the subsidiary and £220,347 (period ended 31 December 2018 - £177,356) is owed to it as at the end of the year.

Veriton Pharma PTY Limited is a wholly owned subsidiary of Veriton Pharma Limited. The subsidiary charged £141,000 (period ended 31 December 2018 - £187,000) during the year in respect of sales commissions. £171,490 (period ended 31 December 2018 - £196,246) of costs have been paid on behalf of the subsidiary and £6,663 (period ended 31 December 2018 - £37,153) is owed to it as at the end of the year.

At the year end, Veriton Pharma Limited is owed £273,445 (period ended 31 December 2018 - £2,188) by its parent company, March Medical Limited.

At the year end, Veriton Pharma Limited is owed £838 (period ended 31 December 2018 - £838) by its fellow subsidiary company, Special Products Limited.

Veriton Pharma Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

24. Post balance sheet events

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of the covid-19 outbreak, the scale and duration of which remains uncertain. The impact of covid-19 on the Company has been considered by the board and as part of this process, the Company's cash flow forecasts have been stress-tested and various different scenarios have been modelled. Having reviewed the various different scenarios the Board believes the Company is well placed to withstand the challenge; the Company has a robust supply chain supplying pharmaceutical products and a well-established, broad customer base. Furthermore, the Company has strong cash flows, healthy bank balances and no borrowings. The directors believe that the challenges caused by covid-19 are temporary and that any revenues lost in the short term will be made up over the course of the financial year. The directors therefore believe that the Company will be able to continue trading with minimal impact on the business for the 12 months following on from signing the accounts.

25. Controlling party

The Company is controlled by Dr Graham March by virtue of his ownership of the shares in March Medical Limited, which is the immediate and ultimate parent company of Veriton Pharma Limited.

March Medical Limited, a company registered in England and Wales (with registered number 05632950) is the parent undertaking of the smallest and largest group which the Company is a member and for which group financial statements are prepared. Consolidated group accounts can be obtained from Companies House.