

**Strategic Report, Report of the Directors and**

**Financial Statements**

**for the Year Ended 31st March 2020**

**for**

**Dr Reddy's Laboratories (UK) Limited**

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**for the year ended 31st March 2020**

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**Dr Reddy's Laboratories (UK) Limited**

**Company Information**  
**for the year ended 31st March 2020**

<b>DIRECTORS:</b>	K S Reddy V N Mannam S McAuliffe P Aghanian
<b>SECRETARY:</b>	R Sanc
<b>REGISTERED OFFICE:</b>	6 Riverview Road Beverley East Yorkshire HU17 0LD
<b>REGISTERED NUMBER:</b>	01729064 (England and Wales)
<b>AUDITORS:</b>	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX
<b>BANKERS:</b>	Bank of Scotland Aldgate House 1/4 Market Place Hull HU1 1RA
<b>SOLICITORS:</b>	Taylor Vinters Merlin Place Milton Road Cambridge CB4 0DP

**Strategic Report**  
**for the year ended 31st March 2020**

The directors present their strategic report for the year ended 31st March 2020.

**REVIEW OF BUSINESS**

The key financial highlights are as follows:

	£	£	£	31/3/20 £	31/3/19	31/3/18	31/3/17
Turnover - United Kingdom				30,054,423	20,772,782	34,516,287	30,593,377
Turnover Growth - United Kingdom				44.7%	-39.8%	12.8%	11.1%
Turnover - Europe and other countries				6,694,368	5,886,001	5,913,609	7,092,169
Turnover Growth - Europe and other countries				13.7%	-0.5%	-16.60%	19.8%
Profit before tax				4,260,772	2,552,760	7,941,065	4,631,171
Profit before tax margin				11.6%	9.6%	19.6%	12.3%

There was a strong performance from Dr Reddy's UK with significant year on year increase in both turnover and profit.

After previous strong years in our branded products this year saw a sharp decline in this area due to much lower cost generics. However this was more than supplemented in excellent sales through the hospital channel with both tender wins and off contract sales contributing.

In the retail channel we continue to grow and develop our relationships with key customers. We have increased our range sell at increased but responsible prices. Our stronger supply chain has also allowed us to be less boom and bust on products and maintain to forecast in certain areas.

**Strategic Report**  
**for the year ended 31st March 2020**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The company has identified the principal areas of risk that it faces as:

**Financial instrument risk**

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

**Impact of pharmaceutical regulations**

The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

**Price risk**

The company sells generic pharmaceutical products. The prices of such products tend to reduce on account of severe pricing pressure and competition. This risk is managed by maintaining adequate levels of stock and introducing new products on expiry of patents.

**Foreign exchange risk**

The company sells and purchases some products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

**Credit risk**

Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

**Liquidity risk**

Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

**Interest rate and cash flow risk**

The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

**Strategic Report**  
**for the year ended 31st March 2020**

**SECTION 172(1) STATEMENT**

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

At Dr. Reddy's, our Board of Directors, management and employees are committed to upholding high standards of corporate governance and business ethics. We firmly believe that timely disclosures, transparent accounting policies, rigorous internal control systems and a strong and independent Board go a long way in preserving shareholder trust while maximising long-term shareholder value.

This s172 statement explains how the Dr. Reddys Directors:

- Have engaged with employees, suppliers, customers and others; and
- Have had regards to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The s172 statement focuses on matters of strategic importance to Dr. Reddys, and the level of information disclosed is consistent with the size and the complexity of the business.

**General confirmation of Directors' duties**

Dr. Reddys have a number of Committees appointed by the Board at group level to focus on specific areas and take informed decisions within the framework of delegated authority, and make specific recommendations to the Board. All decisions and recommendations of the committees are placed before the Board for information or for approval.

When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among matters) to:

**The likely consequences of any decision in the long term**

The Directors understand the business and the demand to innovate the latest products in order to find the most effective treatments in the pharmaceutical market. Dr. Reddy's vision and goal of 'Good Health Can't Wait' is what the business drives and strives for. The strategy set by the Board as a leader in the pharmaceutical industry is to ensure good health can be delivered to those who need it, and to promote wellness among them.

Whilst investing for the future, the Board also recognises that we must focus on meeting the current supply and demand of pharmaceuticals.

The Directors are guided by our principles - Empathy and Dynamism - which provide both guidance for our current behaviour and inspiration for our future actions.

**The interests of the company's employees**

At Dr. Reddy's employees are at the heart of our business. The Management team invites a fair and open two way relationship with all employees. We believe in respecting every individual, regardless of position. At Dr Reddy's employees are heard and have the opportunity to express their opinion. Organisation believes in equality and discourage any discrimination based on any caste, creed, race, religion age and gender etc. We are committed to employee's safety and well-being. Our HR policies are well documented and available to each employee. Management assumes responsibility that such policies are adhered to.

The talented and capable people have played a major role in powering and defining the growth of Dr. Reddys. We believe that when people with diverse skills are bound together by a common purpose and value system, they can make magic.

**Strategic Report**  
**for the year ended 31st March 2020**

**The need to foster the company's business relationships with suppliers, customers and others**

Customers and suppliers are the key stakeholders in our business. In a competitive price driven environment, stock is the vital component at the keenest price. We engage in regular communication with our suppliers as well as customers. We recognise the fact that the stronger the relationships with suppliers the more we are able to serve our customers better. We remain committed to all our stakeholder for ethical business practices. The Company has put in practice a code of business conduct and ethics (CoBE) , every employee at Dr Reddy's is required to sign an undertaking, at least annually, that they have read such code and comply with its principles.

**The impact of the company's operations on the community and environment**

At Dr. Reddy's, Good Health Can't Wait is not just a slogan. But a belief that guides our thoughts, our behaviour and our actions. There are a number of initiatives that we've taken- from product development to patient management to helping doctors and partners delivers good health to patients.

Some of these were-life changing, for the patients. Like creating affordable option of complex, difficult to make medicines.

All of this is aimed of bringing good health to the community directly via the retail market or via being part of the supply chain to the NHS. The company is striving to ensure that the company is focused on the larger community.

**The desirability of the company maintaining a reputation for high standards of business conduct**

Dr. Reddys Board periodically reviews their Corporate Governance requirements as the commitment to upholding the highest standards are set at board level but is filtered down throughout the whole group organisation.

**The need to act fairly as between members of the company**

The Directors consider and focus its attention to ensure that the company's performance is in line with their strategic vision for both the short and long term objectives. The impact of this on all of the stakeholders is reviewed. The Directors believe they act fairly.

The Board has created a culture of honesty, integrity and respect of the Dr. Reddys core values and principles. The company that has set a number guidelines on Code of Business Conduct and Ethics (COBE) through to various Environment and Employment policies.

**Principal decisions**

We define principal decisions taken by the Board as those decisions in 2019/20 that are of a strategic nature and that are significant to any of our key stakeholder groups. As outlined in the FRC Guidance on the Strategic Report, we include decisions related to capital allocation and dividend policy.

**REVIEW OF CLOSING POSITION**

Overall, Dr Reddy's Laboratories (UK) Limited finds itself in a good financial position at the close of the 2019/20 . Cash reserves of £1,273k were held at the year end which has increase from £396k last year. The company continues to hold sufficient cash reserves. Sales have increased by 37.8%, and profit before tax has increased from 9.6% to 11.6%.

These results are reflected in a healthy balance sheet showing Net Assets of £32.9m compared to £29.4m last year.

**Strategic Report**  
**for the year ended 31st March 2020**

**FUTURE DEVELOPMENTS**

With Covid 19 hitting the world and our industry in February/March 2020, the current year is uncertain and challenging. Dr Reddy's Laboratories UK Limited will continue to monitor the situation across all areas of business identifying potential risk and plan for any mitigation. We also continue to launch new product in in 2020/21 and continue to grow our relationships with the NHS and national wholesalers.

**ON BEHALF OF THE BOARD:**

R Sane - Secretary

18th May 2020



**Report of the Directors**  
**for the year ended 31st March 2020**

The directors present their report with the financial statements of the company for the year ended 31st March 2020.

**DIVIDENDS**

No dividends will be distributed for the year ended 31st March 2020.

**FUTURE DEVELOPMENTS**

Details of the company's future developments have been provided in the strategic report.

**DIRECTORS**

The directors during the year under review were:

K S Reddy	
V N Mannam	
C J Troche	- resigned 15/5/19
S Kohli	- resigned 29/11/19
S McAuliffe	- appointed 1/1/20
P Aghanian	- appointed 4/3/20

The directors holding office at 31st March 2020 did not hold any beneficial interest in the issued share capital of the company at 1st April 2019 (or date of appointment if later) or 31st March 2020.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

**Revenue maintenance**

The company actively markets and manages its portfolio of products to focus on revenue building and maintenance which, over the life cycle of the products can contribute to the future profits of the business.

**Principle risks and uncertainties**

These have been provided in the strategic report of the company.

**ENVIRONMENTAL REPORTING GUIDANCE - STREAMLINED ENERGY AND CARBON REPORTING**

	<b>2020</b>	<b>2019</b>	<b>Movement</b>	<b>%</b>
	<b>KwH</b>	<b>KwH</b>	<b>KwH</b>	
Electricity	332,905	325,502	7,403	2.3
Gas	293,261	286,150	7,111	2.5
Total	626,166	611,652	14,514	2.4

The increase in power is as result of an increase in the site activity.

The company is focused and committed to energy savings and reductions in consumption.

**ENGAGEMENT WITH EMPLOYEES**

Dr Reddy's UK management team invites a fair and open two way relationship with all employees. All departments offer regular meetings and encourage dialogue to create an inclusive environment and develop ideas. Our employees are the heart of our business and our policy is to ensure there is no discrimination when it comes to race, age, gender or disability. All such policies are discussed at relevant HR meetings or forums and it is the management's responsibility that they are adhered to.

**Report of the Directors**  
**for the year ended 31st March 2020**

**ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS**

Our relationships with both customers and suppliers are the key driver in our business. In a competitive price driven environment, stock is the vital component at the keenest price. This is why we need constant communication with suppliers, both third party and from our own company supply. The stronger the relationships with suppliers the more we are able to be first in class with customers on an on time in full basis. Our customer relationships both with the NHS and private wholesale and retail organisations continues to develop well and this has shown in our growth in the year.

**STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS**

Dr. Reddy's Laboratories (UK) Limited believes that timely disclosures, transparent accounting policies coupled with a strong board go a long way in maintaining good corporate governance, preserving all stakeholders' trust and maximizing long-term corporate value. The company's corporate governance framework is based on the following main principles: Ethical business conduct by the board, management and employees. Well-developed systems of internal controls, Compliance to applicable local and international laws and financial reporting. Protection and facilitation of all stakeholders' rights. Adequate, timely and accurate disclosure of all material operational and financial information to relevant stakeholders.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors**  
**for the year ended 31st March 2020**

**AUDITORS**

The auditors, cbaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

R Sanc - Secretary

18th May 2020

**Report of the Independent Auditors to the Members of**  
**Dr Reddy's Laboratories (UK) Limited**

**Opinion**

We have audited the financial statements of Dr Reddy's Laboratories (UK) Limited (the 'company') for the year ended 31st March 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 31st 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 Auditors' 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.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of**  
**Dr Reddy's Laboratories (UK) Limited**

**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 Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities, 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 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.

**Auditors' 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 a Report of the Auditors 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**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 a Report of the Auditors 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.

Alan Brocklehurst (Senior Statutory Auditor)  
for and on behalf of cbaSadofskys  
Statutory Auditors  
Princes House  
Wright Street  
Hull  
East Yorkshire  
HU2 8HX

20th May 2020

**Income Statement**  
**for the year ended 31st March 2020**

	Notes	2020 £	2019 £
<b>TURNOVER</b>	3	<b>36,748,791</b>	26,658,783
Cost of sales		<b>(27,119,580)</b>	(20,315,338)
<b>GROSS PROFIT</b>		<b>9,629,211</b>	6,343,445
Distribution costs		<b>(606,358)</b>	(653,370)
Administrative expenses		<b>(5,122,406)</b>	(3,619,053)
<b>OPERATING PROFIT</b>	5	<b>3,900,447</b>	2,071,022
Interest receivable and similar income		<b>358,906</b>	481,365
		<b>4,259,353</b>	2,552,387
Interest payable and similar expenses	6	<b>1,419</b>	373
<b>PROFIT BEFORE TAXATION</b>		<b>4,260,772</b>	2,552,760
Tax on profit	7	<b>(791,299)</b>	(478,822)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>3,469,473</b>	2,073,938

The notes form part of these financial statements

**Other Comprehensive Income**  
**for the year ended 31st March 2020**

	Notes	2020 £	2019 £
<b>PROFIT FOR THE YEAR</b>		<b>3,469,473</b>	<b>2,073,938</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Stock based compensation		-	158
Income tax relating to other comprehensive income		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>-</b>	<b>158</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>3,469,473</u></b>	<b><u>2,074,096</u></b>

The notes form part of these financial statements

**Balance Sheet**  
**31st March 2020**

	Notes	2020 £	£	2019 £	£
<b>FIXED ASSETS</b>					
Intangible assets	8		<b>1,104,101</b>		865,691
Tangible assets	9		<b>2,827,590</b>		<b>2,988,870</b>
			<b>3,931,691</b>		<b>3,854,561</b>
<b>CURRENT ASSETS</b>					
Stocks	10	<b>5,525,772</b>		7,487,951	
Debtors	11	<b>34,950,516</b>		29,389,520	
Cash at bank and in hand		<b>1,273,237</b>		395,901	
		<b>41,749,525</b>		<b>37,273,372</b>	
<b>CREDITORS</b>					
Amounts falling due within one year	12	<b>12,792,415</b>		11,741,539	
<b>NET CURRENT ASSETS</b>			<b>28,957,110</b>		<b>25,531,833</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>32,888,801</b>		<b>29,386,394</b>
<b>PROVISIONS FOR LIABILITIES</b>	13		<b>32,934</b>		-
<b>NET ASSETS</b>			<b>32,855,867</b>		<b>29,386,394</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		<b>1,000</b>		1,000
Other reserves	15		<b>879,601</b>		879,601
Retained earnings	15		<b>31,975,266</b>		<b>28,505,793</b>
<b>SHAREHOLDERS' FUNDS</b>			<b>32,855,867</b>		<b>29,386,394</b>

The financial statements were approved by the Board of Directors and authorised for issue on 18th May 2020 and were signed on its behalf by:

S McAuliffe - Director



**Statement of Changes in Equity**  
**for the year ended 31st March 2020**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Other reserves £</b>	<b>Total equity £</b>
<b>Balance at 1st April 2018</b>	1,000	26,431,855	879,443	27,312,298
<b>Changes in equity</b>				
Total comprehensive income	-	2,073,938	158	2,074,096
<b>Balance at 31st March 2019</b>	1,000	28,505,793	879,601	29,386,394
<b>Changes in equity</b>				
Total comprehensive income	-	3,469,473	-	3,469,473
<b>Balance at 31st March 2020</b>	1,000	31,975,266	879,601	32,855,867

The notes form part of these financial statements

**Notes to the Financial Statements**  
**for the year ended 31st March 2020**

**1. STATUTORY INFORMATION**

Dr Reddy's Laboratories (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Turnover**

Turnover represents invoiced sales of goods, excluding value added tax, less discounts and rebates.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of five years.

**Intangible assets**

Products using patents are capitalised at the date of the patent. The residual value of these patents are being amortised evenly over their estimated useful lives.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Straight line at 1%
Improvements to property	- Over the period of the lease
Plant and machinery	- 10% to 20% on cost and 20% on reducing balance
Fixtures and fittings	- Straight line over 3 years

**Stocks**

Raw materials, packing materials and work in progress are valued at cost. Finished goods are valued at the lower of cost and net realisable value. Stock is valued after making due allowance for obsolete and slow moving stock.

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**2. ACCOUNTING POLICIES - continued**

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research, regulatory and development cost**

Expenditure on research, regulatory and development cost is written off in the year in which it is incurred.

**Foreign currencies**

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

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The company makes contributions to the private pension funds of directors and staff. Contributions payable for the year are charged in the profit and loss account.

**Stock based compensation**

The stock options taken up in the ultimate parent company, Dr Reddy's Laboratories Limited, by staff members of subsidiary companies are accounted for in the accounts of the subsidiary company.

**Regulatory and trade licence fees**

Expenditure in respect of the renewal of trade licences has been charged to the profit and loss account when it has been incurred.

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**2. ACCOUNTING POLICIES - continued**

**Going concern**

The company has the long term support from the group and as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors Report.

**3. TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>30,054,423</b>	20,772,782
Europe and other countries	<b>6,694,368</b>	5,886,001
	<b><u>36,748,791</u></b>	<b><u>26,658,783</u></b>

**4. EMPLOYEES AND DIRECTORS**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>3,237,731</b>	2,888,896
Social security costs	<b>279,239</b>	312,008
Other pension costs	<b>171,632</b>	176,876
	<b><u>3,688,602</u></b>	<b><u>3,377,780</u></b>

The average number of employees during the year was as follows:

	<b>2020</b>	<b>2019</b>
Directors and administration	<b>54</b>	54
Production	<b><u>22</u></b>	<b><u>27</u></b>
	<b><u>76</u></b>	<b><u>81</u></b>

  

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	<b><u>192,365</u></b>	<b><u>172,456</u></b>

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Hire of plant and machinery	<b>9,369</b>	13,094
Depreciation - owned assets	<b>180,063</b>	167,950
Profit on disposal of fixed assets	<b>(4,000)</b>	-
Patents and licences amortisation	<b>198,097</b>	148,741
Auditors remuneration	<b>6,400</b>	4,000
Auditors remuneration for non audit work	<b>2,750</b>	2,500
Foreign exchange differences	<b><u>(301,209)</u></b>	<b><u>(1,867,020)</u></b>

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Interest on corporation tax	<b><u>(1,419)</u></b>	<b><u>(373)</u></b>

**7. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax	<b>758,365</b>	478,822
Deferred taxation	<b>32,934</b>	-
Tax on profit	<b><u>791,299</u></b>	<b><u>478,822</u></b>

UK corporation tax was charged at 19%) in 2019.

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**7. TAXATION - continued**

**Reconciliation of total tax charge included in profit and loss**

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

	2020 £	2019 £
Profit before tax	<u>4,260,772</u>	<u>2,552,760</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	809,547	485,024
Effects of: Capital allowances in excess of depreciation	(50,980)	(15,797)
tax purposes		
ESOP exercised in the year	(202)	9,595
Deferred tax movement	<u>32,934</u>	<u>-</u>
Total tax charge	<u>791,299</u>	<u>478,822</u>

**Tax effects relating to effects of other comprehensive income**

There were no tax effects for the year ended 31st March 2020.

	Gross £	2019 Tax £	Net £
Stock based compensation	<u>158</u>	<u>-</u>	<u>158</u>

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**8. INTANGIBLE FIXED ASSETS**

	Patents and licences £
<b>COST</b>	
At 1st April 2019	1,344,977
Additions	678,331
Disposals	(241,834)
At 31st March 2020	<u>1,781,474</u>
<b>AMORTISATION</b>	
At 1st April 2019	479,286
Amortisation for year	198,087
At 31st March 2020	<u>677,373</u>
<b>NET BOOK VALUE</b>	
At 31st March 2020	<u>1,104,101</u>
At 31st March 2019	<u>865,691</u>

**9. TANGIBLE FIXED ASSETS**

	Freehold property £	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Totals £
<b>COST</b>					
At 1st April 2019	2,636,044	34,991	3,978,786	707,702	7,357,523
Additions	-	-	393,316	73,007	466,323
Disposals	-	-	(447,540)	-	(447,540)
At 31st March 2020	<u>2,636,044</u>	<u>34,991</u>	<u>3,924,562</u>	<u>780,709</u>	<u>7,376,306</u>
<b>DEPRECIATION</b>					
At 1st April 2019	340,211	34,630	3,332,577	661,235	4,368,653
Charge for year	47,222	-	89,764	43,077	180,063
At 31st March 2020	<u>387,433</u>	<u>34,630</u>	<u>3,422,341</u>	<u>704,312</u>	<u>4,548,716</u>
<b>NET BOOK VALUE</b>					
At 31st March 2020	<u>2,248,611</u>	<u>361</u>	<u>502,221</u>	<u>76,397</u>	<u>2,827,590</u>
At 31st March 2019	<u>2,295,833</u>	<u>361</u>	<u>646,209</u>	<u>46,467</u>	<u>2,988,870</u>

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**10. STOCKS**

	2020	2019
	£	£
Packaging materials	196,966	147,809
Work-in-progress	238,135	804,010
Finished goods	5,090,671	6,536,132
	<u>5,525,772</u>	<u>7,487,951</u>

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Trade debtors	11,025,621	8,935,656
Amounts due from fellow subsidiaries	23,811,092	20,342,374
Prepayments and accrued income	113,803	111,490
	<u>34,950,516</u>	<u>29,389,520</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Trade creditors	1,760,305	2,601,359
Amount due to ultimate parent company	7,319,655	5,929,467
Amounts owed to fellow subsidiaries	311,878	66,085
Taxation	325,439	93,071
Social security and other taxes	486,106	259,674
Other creditors	27,408	99,634
Accrued expenses	2,546,407	2,402,262
Deferred income	15,217	289,987
	<u>12,792,415</u>	<u>11,741,539</u>

**13. PROVISIONS FOR LIABILITIES**

	2020	2019
	£	£
Deferred taxation	<u>32,934</u>	<u>-</u>

	Deferred tax
	£
Charge to Income Statement during year	<u>32,934</u>
Balance at 31st March 2020	<u>32,934</u>



**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**14. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

**15. RESERVES**

	Retained earnings £	Other reserves £	Totals £
At 1st April 2019	28,505,793	879,601	29,385,394
Profit for the year	3,469,473		3,469,473
At 31st March 2020	<u>31,975,266</u>	<u>879,601</u>	<u>32,854,867</u>

**16. ULTIMATE PARENT COMPANY**

The company's immediate parent company is Dr Reddy's Laboratories (EU) Limited, a company registered in England and Wales. The group financial statements are available to the public and may be obtained from Riverview Road, Beverley, East Yorkshire, HU17 0LD .

The company's ultimate parent and controlling company is Dr Reddy's Laboratories Limited, a company incorporated in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India .

**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

**17. RELATED PARTY DISCLOSURES**

At the balance sheet date, the company owed the amounts to related parties:

	<b>31/3/20</b>	<b>31/3/19</b>
<b>£</b>		
Dr Reddy's Laboratories Limited	<b>7,319,655</b>	5,929,467
Dr Reddy's S.A	<b>200,552</b>	Nil
Dr Reddy's Laboratories S.R.L	<b>14,609</b>	Nil
Reddy Pharma SAS	<b>49,778</b>	Nil

At the balance sheet date, the company was owed amounts from the following related parties:

	<b>31/3/20</b>	<b>31/3/19</b>
<b>£</b>		
Dr Reddy's Laboratories S.R.L	<b>(162,670)</b>	1,596,339
Betapharm Arzneimittel GmbH	<b>15,934</b>	7,722
Dr Reddy's Pharma Iberia	<b>421,265</b>	397,069
Reddy Pharma SAS	<b>Nil</b>	76,456
Dr Reddy's S.A	<b>23,536,563</b>	18,264,788

During the year the company made purchases on normal commercial terms to the following related parties:

	<b>31/3/20</b>	<b>31/3/19</b>
<b>£</b>		
Dr Reddy's Laboratories Limited	<b>15,477,868</b>	10,178,704
Industrias Quimicas Falcon	<b>140,924</b>	698,964
Dr Reddy's S.A	<b>200,552</b>	49,114

During the year the company paid for expenses on behalf of the following related parties:

	<b>31/3/20</b>	<b>31/3/19</b>
<b>£</b>		
Dr Reddy's S.A	<b>Nil</b>	151,124

During the year the company made QC sales on normal commercial terms to the following related parties:

	<b>31/3/20</b>	<b>31/3/19</b>
<b>£</b>		
Betapharm Arzneimittel GmbH	<b>15,934</b>	7,722

During the year the company made sales on normal commercial terms to the following related parties:

	<b>31/3/20</b>	<b>31/3/19</b>
<b>£</b>		
Dr Reddy's Pharma Iberia	<b>(4,264)</b>	505,453
Betapharm Arzneimittel GmbH	<b>71,803</b>	143,755
Dr Reddy's Laboratories S.R.L	<b>(167,828)</b>	1,187,250
Reddy Pharma SAS	<b>290,260</b>	(37,643)

During the year the company had given a loan to the following related parties:

<b>31/3/20</b>	<b>31/3/19</b>
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**Notes to the Financial Statements - continued**  
**for the year ended 31st March 2020**

<b>£</b>	<b>£</b>		
Dr Reddy's S.A		<b>7,900,000</b>	Nil

During the year the company had charged interest on the loans to the following related parties:

<b>£</b>	<b>£</b>	<b>31/3/20</b>	<b>31/3/19</b>
Dr Reddy's S.A		<b>353,429</b>	477,868

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.