

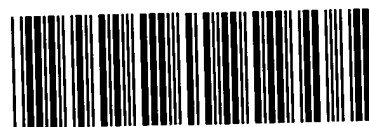
Company Registration Number 02672877 (England and Wales)

**MORNINGSIDE PHARMACEUTICALS
LIMITED**

REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2014**

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MORNINGSIDE PHARMACEUTICALS LIMITED

COMPANY INFORMATION

Directors	Dr N R Kotecha M N Kotecha
Secretary	M N Kotecha
Company number	02672877
Business address	5 Pavillion Way Castle Business Park Loughborough Leicestershire LE11 5GW
Registered office	Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD
Auditors	Baker Tilly UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD
Bankers	HSBC Bank plc 12 Victoria Street Nottingham NG1 2FF

MORNINGSIDE PHARMACEUTICALS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Fair review of the business

The Company maintains our vision of Making Quality Healthcare Affordable. Many of our products are facing price competition but the Directors feel that this is being managed well by the regular introduction of new products. Quality management and developing distributions channels will continue. Staff count will further increase over the next 12 months to ensure the steady growth of the business.

The company has performed well in the financial period under difficult trading conditions. The strategy to launch new products is key to the growth of the business with existing products facing more competition. The focus on Brand building will enable growth.

During the year, with an overall increase in the underlying levels of trade, when compared to a 12 month trading period, turnover has decreased by 0.7%, against a 16 month trading period. Gross profit margins have increased on previous periods at 32.4% in 2014 and 28.9% in 2013.

At the year end, shareholders' funds were £9,135,850 (2013: £2,661,403), net current assets were £9,044,884 (2013: £2,581,960).

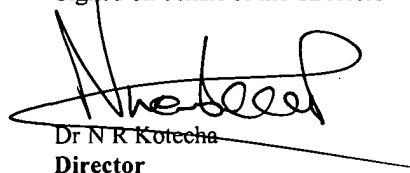
The directors are pleased with the performance during the year and are confident of the company's future as it evolves.

Financial risk management objectives and policies

The company is exposed to a moderate level of price risk, which the company manages by having a wide range of products that the company holds as stock and sells to its customers. The company exposure to credit risk, liquidity risk and cash flow is at a low level. The company manages these risks by financing its operations through retained profits and cash at bank together with efficient monitoring and forecasting of cash flow.

The company manages its trade creditors by ensuring sufficient funds are available to meet liabilities as they become due or pay in advance as may be required in some contracts. Trade debtors are managed in respect of credit and cash flow by policies controlling credit offered to customers and regular monitoring of amounts receivable.

Signed on behalf of the directors



Dr N R Kotecha
Director

Approved by the directors on 9 July 2015

MORNINGSIDE PHARMACEUTICALS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their report and financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the company continued to be that of the purchase, wholesale, distributions and export of pharmaceutical and healthcare products.

Results and dividends

The company's trading profit for the year, after taxation, was £6,474,447 (2013 profit £5,597,185).

No dividends have been declared by the directors during the year.

Directors

The directors who have held office since 1 January 2014 were as follows:

Dr N R Kotecha
M N Kotecha

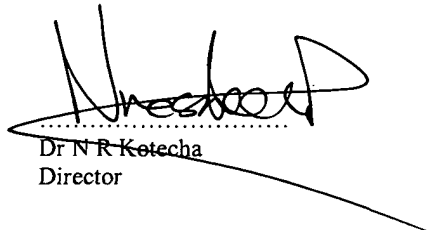
Auditors

Baker Tilly UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Dr N R Kotecha
Director

MORNINGSIDE PHARMACEUTICALS LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the Strategic Report, 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 including FRS102 "The Financial Reporting Standard Applicable in UK and Republic of Ireland" 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;
- 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.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
MORNINGSIDE PHARMACEUTICALS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2014**

We have audited the financial statements set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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 return 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.

Baker Tilly UK Audit LLP

**Benjamin Lawrance, Senior Statutory Auditor
For and on behalf of**

Baker Tilly UK Audit LLP, Statutory Auditor

Chartered Accountants

Rivermead House

7 Lewis Court

Grove Park

Enderby

Leicestershire

LE19 1SD

Date: 13 JULY 2015

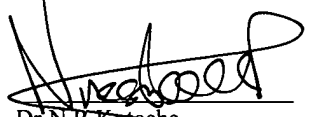
MORNINGSIDE PHARMACEUTICALS LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS**
For the year ended 31 December 2014

		Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
	Note		
TURNOVER	2	31,106,764	31,328,818
Cost of sales		(21,019,499)	(22,246,619)
GROSS PROFIT		10,087,265	9,082,199
Administrative expenses		(1,297,526)	(1,750,521)
Other operating income		34	7,362
OPERATING PROFIT		8,789,773	7,339,640
Interest receivable and similar income	3	7,195	17,263
Interest payable and similar charges	4	(1,562)	(16,485)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	8,795,406	7,339,818
Taxation	7	(2,320,959)	(1,742,633)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR/PERIOD		6,474,447	5,597,185
Retained earnings at 1 January/1 September		2,661,303	6,064,118
Dividend paid		-	(9,000,000)
RETAINED EARNINGS AT 31 DECEMBER		9,135,750	2,661,303

STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Tangible assets	9	111,938	97,673
CURRENT ASSETS			
Stocks	11	3,079,411	2,150,329
Debtors due within one year	12	6,867,010	3,712,210
Cash at bank and in hand		5,305,405	1,067,257
		<u>15,251,826</u>	<u>6,929,796</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	(6,206,942)	(4,347,836)
NET CURRENT ASSETS		<u>9,044,884</u>	<u>2,581,960</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,156,822</u>	<u>2,679,633</u>
Provisions for liabilities	15	(20,972)	(18,230)
NET ASSETS		<u>9,135,850</u>	<u>2,661,403</u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account		9,135,750	2,661,303
TOTAL EQUITY		<u>9,135,850</u>	<u>2,661,403</u>

The financial statements on pages 5 to 19 were approved by the board of directors and authorised for issue on 9 July 2015 and are signed on its behalf by:


 Dr N R Kotchea
Director

MORNINGSIDE PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2014

GENERAL INFORMATION

Morningside Pharmaceuticals Limited ("the Company") is a limited company domiciled and incorporated in England.

The address of the Company's registered office is Rivermead House, 7 Lewis Court, Grove Park, Enderby, Leicestershire, LE19 1SD and principal place of business in 5 Pavilion Way, Castle Business Park, Loughborough, Leicestershire, LE11 5GW.

The Company's principal activities are that of purchase, wholesale, distributions and export of Pharmaceutical and Healthcare products.

BASIS OF ACCOUNTING

The current period represents the year ended 31 December 2014, where the comparative period covers a 16 month period from 1 September 2012 to 31 December 2013. Therefore the current and comparative amounts are not entirely comparable. The reason for the change in the accounting reference date to 31 December was commercially better for the company and its activities.

These financial statements are the first financial statements of Morningside Pharmaceuticals Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Morningside Pharmaceuticals Limited for the period ended 31 December 2013 were prepared in accordance with applicable previous UK GAAP.

The directors have elected to early adopt FRS 102 for the year ended 31 December 2014.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in the financial statements are rounded to the nearest whole £1, except where otherwise indicated.

REDUCED DISCLOSURES

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures

The financial statements of the Company are consolidated in the financial statements of Remedi Medical Holdings Limited. The consolidated financial statements of Remedi Medical Holdings Limited are available from its place of business 5 Pavilion Way, Castle Business Park, Loughborough, Leicestershire, LE11 5GW.

MORNINGSIDE PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2014

GOING CONCERN

The company has prepared detailed budgets which indicates that the company has sufficient resources in order to meet its liabilities as they fall due and, on that basis, the directors are satisfied that it remains appropriate to prepare the financial statements on a going concern basis.

FOREIGN CURRENCIES

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Sale of Pharmaceutical and Healthcare Products

Turnover is recognised when it and the associated costs can be measured reliably, future economic benefits are probable, and the risks and rewards of ownership have been transferred to the customer. Sales of Pharmaceutical and Healthcare Products are recognised when goods are delivered and legal title has passed and the Company has not continuing managerial involvement associated with ownership or effective control of the goods sold. This is generally when goods have been checked and accepted by the customer on delivery at the specified location.

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal amount deposit at bank at the effective interest rate.

Rental income

Rental income on assets leased under operating leases is recognised on a straight-line basis over the lease term and is presented within other operating income.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line or reducing balance basis over its expected useful life, as follows:-

Plant and machinery	20% reducing balance
Fixtures and fittings	15% reducing balance
Equipment	over 3 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

MORNINGSIDE PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2014

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. All impairment losses are recognised in profit and loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

FIXED ASSET INVESTMENTS

Trade investments are classified as financial instruments and accounted for in accordance with the accounting policy at fair value through profit and loss, as set out on page 10.

STOCKS

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible in determining the taxable profit or are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

MORNINGSIDE PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2014

LEASES

The Company as Lessee – Operating Leases

All leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

The Company as Lessor – Operating Leases

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The holiday year for Morningside Pharmaceuticals Limited ends at the reporting date and employees are entitled to carry forward a maximum of 3 days unused holiday.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

EMPLOYEE BENEFIT TRUST

The company operates an Employee Benefit Trust. In accordance with UITF32, the assets of the trust have been recognised as assets of the company, and will continue to be recognised as such until those assets vest unconditionally in the beneficiaries.

At 31 December 2014, the Employee Benefit Trust has been closed.

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

MORNINGSIDE PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2014

FINANCIAL INSTRUMENTS (continued)

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Trade investments

Trade investments are equity investments over which the Company has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through profit or loss when transaction costs are expensed to profit or loss as incurred.

The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price. The fair value of unlisted investments is measured using valuation techniques which include turnover multiple, earnings multiple, net assets or discounted cash flows, as appropriate, based on the nature and circumstances of the investment.

Trade investments in non-convertible and non-puttable preference shares or non-puttable ordinary shares can be measured at cost less impairment if the fair value of the shares cannot be measured reliably. All investments in equity instruments measured at cost less impairment are assessed individually for impairment annually.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

MORNINGSIDE PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES

For the year ended 31 December 2014

FINANCIAL INSTRUMENTS (continued)

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

DIVIDENDS

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

MORNINGSIDE PHARMACEUTICALS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2014****1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. TURNOVER

The turnover included in the financial amounted to £31,106,764 (2013: £31,328,818), which restates in total to Sale of Pharmaceutical and Healthcare Products.

The analysis of turnover by class of business and the geographical analysis of turnover have not been given as in the opinion of the directors such disclosure would be seriously prejudicial to the interests of the Company.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Interest on bank deposits	2,906	17,263
Foreign exchange gains on bank balances	4,289	-
	<u>7,195</u>	<u>17,263</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Interest paid	1,562	-
Foreign exchange losses on bank balances	-	16,485
	<u>1,562</u>	<u>16,485</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets (note 9)	30,962	55,351
Loss on disposal of tangible fixed assets	-	53,304
Exchange (gains)/losses	(47,380)	(1,944)
Stock (note 11):		
- amounts charged to cost of sales	20,511,876	21,558,840
- amounts written off to cost of sales	190,016	481,195
Operating lease rentals	<u>96,000</u>	<u>99,130</u>

MORNINGSIDE PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Audit services – statutory audit of the company	11,300	8,900
<i>Other services:-</i>		
Taxation compliance services	1,250	1,630
Taxation advisory services	4,850	20,000
All other non-audit services	19,398	27,320
	<u>36,798</u>	<u>57,850</u>

6. EMPLOYEES

The average monthly number of persons (including directors) employed by the Company during the year was:

Office and management	<u>20</u>	<u>16</u>
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	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Staff costs for the above persons:		
Wages and salaries	472,631	567,959
Social security costs	51,065	48,414
Other pension costs and current service cost (note 18)	-	100,000
	<u>523,696</u>	<u>716,373</u>

DIRECTORS

In respect of the directors of Morningside Pharmaceuticals Limited: Includes amounts paid for duties as directors of Remedi Medical Holdings Limited, the company's parent company, regardless of who makes the payment, or to whom it is paid.

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Emoluments	31,309	21,333
Company contributions to money purchase pension schemes	-	100,000
	<u>31,309</u>	<u>121,333</u>

The number of directors to whom retirement benefits are accruing under:

- money purchase schemes was	<u>2</u>	<u>2</u>
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MORNINGSIDE PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

7. TAXATION

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Current tax		
UK corporation tax	1,886,373	1,743,000
Other	432,000	
Adjustments in respect of prior year		
- UK corporation tax	(156)	(367)
Total current tax	2,318,217	1,742,633
Deferred tax		
Origination and reversal of timing differences	3,610	-
Effect of decreased tax rate on opening liability	(868)	-
Total deferred tax	2,742	-
Total tax on profit on ordinary activities	2,320,959	1,742,633

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (21%). The differences are explained below:

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Company profit on ordinary activities before tax	8,795,406	7,339,818
Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013: 23%).	1,847,035	1,688,158
Effects of:		
Expenses that are not deductible in determining taxable profit	291	9,578
Capital allowances for the period in excess of depreciation	(3,322)	12,938
Group relief	(914)	-
Amounts relating to change in tax rates	43,283	32,326
Adjustment to tax charge in respect of previous year	(156)	(367)
Adjustment to charge with respect to deferred tax	2,742	-
Other	432,000	-
Tax expense	2,320,959	1,742,633

MORNINGSIDE PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

8. DIVIDENDS

	Year ended 31 December 2014 £	Period from 1 September 2012 to 31 December 2013 £
Ordinary:		
Dividend in specie	-	260,000
Final paid – (2013 - £87,400 per share in relation 2013)	-	8,740,000
	<u>-</u>	<u>9,000,000</u>

Since the year end, the company has declared a dividend amounting to £12,410,000.

9. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Fixtures and fittings £	Equipment £	Total £
1 January 2014	80,621	79,359	95,392	255,372
Additions	8,310	28,686	8,231	45,227
31 December 2014	<u>88,931</u>	<u>108,045</u>	<u>103,623</u>	<u>300,599</u>
Depreciation and impairment:				
1 January 2014	46,339	53,135	58,225	157,699
Depreciation charged in the year	7,137	5,217	18,608	30,962
31 December 2014	<u>53,476</u>	<u>58,352</u>	<u>76,833</u>	<u>188,661</u>
Carrying amount:				
31 December 2014	<u>35,455</u>	<u>49,693</u>	<u>26,790</u>	<u>111,938</u>
31 December 2013	<u>34,282</u>	<u>26,224</u>	<u>37,167</u>	<u>97,673</u>

10. FIXED ASSET INVESTMENTS

	Shares in trade Investments £
Cost	
1 January 2014 and 31 December 2014	<u>340,000</u>
Provisions for impairment:	
1 January 2014 and 31 December 2014	<u>340,000</u>
Carrying amount:	
- Trade investments – 31 December 2014	<u>-</u>
Carrying amount:	
- Trade investments – 31 December 2013	<u>-</u>

Unlisted investments include an amount of £340,000 invested by the company during the previous year, in Paladin Integrated Planning Opportunities No. 12 LLP and Paladin Integrated Planning Opportunities No.2 LLP respectively, property development partnerships. Due to the level of uncertainty relating to the extent of any future returns on these investments, full provision has been made against its carrying value of the investment in the previous years.

MORNINGSIDE PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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11. STOCKS

	2014	2013
	£	£

Finished goods and goods for resale	3,079,411	2,150,329
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Finished goods stock with a carrying value of £190,016 (2013: £481,195) has been written down to £Nil (2013: £76,868). No earlier stock write down has been reversed during the current, or proceeding, period.

12. DEBTORS

	2014	2013
	£	£

Amounts falling due within one year:

Trade debtors	6,842,454	3,689,038
Prepayments and accrued income	24,556	23,172
	<u>6,867,010</u>	<u>3,712,210</u>

As at 31 December 2014 an impairment loss of £nil (2013: £nil) was recognised in respect of trade receivables due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£

Trade creditors	2,899,388	2,461,987
Other taxation and social security costs	594,210	318,341
Corporation tax	1,023,681	362,564
Other creditors	-	106,830
Accruals and deferred income	1,689,663	1,098,114
	<u>6,206,942</u>	<u>4,347,836</u>

14. FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments at 31 December were:

	2014	2013
	£	£
Financial assets:		
Debt instruments measured at amortised cost	6,842,454	3,689,038
Cash at bank and in hand	5,305,405	1,067,257
Total	<u>12,147,859</u>	<u>4,756,295</u>
Financial liabilities:		
Measured at amortised cost	4,157,051	3,560,101
Total	<u>4,157,051</u>	<u>3,560,101</u>

MORNINGSIDE PHARMACEUTICALS LIMITED

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15. PROVISIONS FOR LIABILITIES	Deferred Taxation £
1 January 2014	18,230
Additional provision in the year	2,742
31 December 2014	<u>20,972</u>

	2014 £	2013 £
Provision for deferred tax has been made as follows:		
Deferred tax liabilities	20,972	18,230
Deferred tax assets	-	-
Net positions at 31 December	<u>20,972</u>	<u>18,230</u>

The major deferred tax liabilities and assets recognised by the Company are:

	2014 £	2013 £
Deferred tax liabilities:		
Accelerated capital allowances	<u>20,972</u>	<u>18,230</u>

16. SHARE CAPITAL & RESERVES

Share Capital	100 ordinary shares of £1 each number
Allotted, issued and fully paid:	
1 January 2014	<u>100</u>
31 December 2014	<u>100</u>

Ordinary share rights

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Retained earnings

Cumulative profit and loss net of distributions to owners.

17. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases for rental of property (note 5) are as follows:

	2014 £	2013 £
Amounts due:		
Within one year	96,000	96,000
Between one and five years	226,050	205,050
	<u>322,050</u>	<u>301,050</u>

MORNINGSIDE PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. RETIREMENT BENEFITS

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss amounted to £Nil (2013: £100,000).

19. RELATED PARTY TRANSACTIONS

During the year, the company was charged £7,455,418 (period from 1 September 2012 to 31 December 2013 - £5,624,690) in respect of purchases from Morningside (Leicester) Limited, a company in which M N Kotecha's brother is a director and shareholder. The company made sales to Morningside (Leicester) Limited of £18,158 (period from 1 September 2012 to 31 December 2013 - £44,775). At the period end the balance due from Morningside (Leicester) Limited was £Nil (2013: £Nil).

During the year rent has been paid to Dr N R Kotecha and M N Kotecha directors, amounting to £72,000 (period from 1 September 2012 to 31 December 2013: £96,000).

No disclosures made of transactions with the company's parent undertaking Remedi Medical Holdings Limited as Morningside Pharmaceuticals Limited is a 100% owned subsidiary.

20. ULTIMATE PARENT COMPANY

The directors consider the ultimate parent undertaking to be Remedi Medical Holdings Limited, a company incorporated in the United Kingdom.

Remedi Medical Holdings Limited is the immediate parent, and is the smallest and largest company for which consolidated accounts including Morningside Pharmaceuticals Limited are prepared. The consolidated accounts of Remedi Medical Holdings Limited are available from its place of business 5 Pavilion Way, Castle Business Park, Loughborough, Leicestershire, LE11 5GW

21. FIRST TIME ADOPTION OF FRS 102

On the adoption of FRS102 there was no effect on the balance of equity and profit and loss previously reported on transition at 1 September 2012 and at 31 December 2013.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.