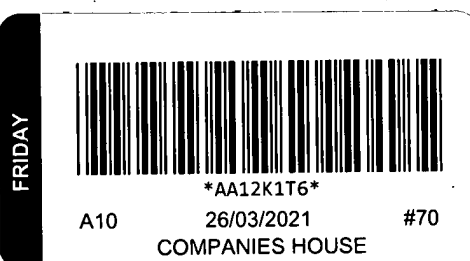


Registered number: 02672877

**MORNINGSIDE PHARMACEUTICALS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Dr N R Kotecha OBE M N Kotecha
<b>Company secretary</b>	M N Kotecha
<b>Registered number</b>	02672877
<b>Registered office</b>	Nene House 4 Rushmills Northampton NN4 7YB
<b>Business address</b>	5 Pavilion Way Castle Business Park Loughborough Leicestershire LE11 5GW
<b>Independent auditor</b>	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Leicester Leicestershire LE19 1SD
<b>Accountants</b>	PricewaterhouseCoopers LLP Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ
<b>Bankers</b>	HSBC Bank plc 12 Victoria Street Nottingham NG1 2FF

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present the Strategic Report of Morningside Pharmaceuticals Limited (the "Company") for the year ended 31 December 2020.

**Fair review of the business**

2020 has been another good year for Morningside Pharmaceuticals Limited. The directors continue to strive for improvements in all areas of the business including quality, compliance & risk management, building infrastructure and resources in order to continue steady growth.

As always, the business is guided by its overarching vision, which is "Making quality healthcare an affordable and accessible reality throughout the world". To support the Company's work in delivering the vision, we follow our core values, which are demonstrated through our work and conduct.

New products within the R&D pipeline have been introduced as per the strategic plan, which has helped the Company to steadily widen its range of products and increase sales revenue. The focus on the introduction of a wide range of new niche molecules will continue to enable growth whilst improving the quality of lives of our patients and deliver cost savings to the NHS. There has been continued tough price competition but the directors were satisfied with the performance of existing key generic and branded products that maintained and grew market share.

Stringent quality management and enhancement of distribution channels has continued and will continue going forward. During the year, the Company continued to make significant investments in improving/expanding the infrastructure and capabilities to accommodate the further expansion of the business. There has been the appointment of a new C-Suite in 2020 (including Chief Executive Officer, Chief Operating Officer and Chief Financial Officer) to support and drive the business expansion. The Company has initiated investments in upgrading its Enterprise Resource Planning platform and implementing an Electronic Quality Management System.

Setting key performance measures (KPI's) directly linked to objectives is an important annual exercise for the business. The directors monitor performance against targets on a regular basis, which are measured by financial and non-financial indicators. The objectives and measures are set following the SMART principles, focused on compliance, long-term growth and profitability.

Increased competition towards its key products, the UK's exit from the European Union (Brexit), the Falsified Medicines Directive (effective from 9th February 2019) and the Covid-19 pandemic, meant that the Company faced significant challenges achieving the projected sales and profitability growth in the year ending 2020.

The gross profit for 2020 was £21,853,205 compared to £21,437,717 in 2019.

At the year-end, shareholders' funds were £7,967,156 (2019: £9,090,463) and net current assets were £7,369,539 (2019: £8,456,901). A donation of £2m (2019: £2m) was made to a charitable foundation during the year.

During 2020 the Company attained Full Authorised Economic Operator (F) accredited status from HMRC which was to support the Company's international supply chain processes of products.

Overall, the directors are satisfied with the Company's performance during the year and are confident of the Company's future.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Principal risks and uncertainties****Brexit**

As part of the uncertainty surrounding Brexit, the Company continued to maintain a contingency plan to minimise any negative impact on the business. The industry was advised by the Department of Health & Social Care (DHSC) to hold extra medicines to avoid market shortages, which led to the Company significantly increasing stock levels. During 2020 and through to the transition period, the Company planned effectively and well prepared for Brexit and therefore was able to keep the impact to a minimum.

**Competition**

High levels of competition in the generic pharmaceutical sector has continued to be a factor with many of our niche products seeing new entrants by competitors. The Company continues to strive to launch niche, difficult to develop, products, as well as actively looking at export markets to continue its growth.

**Covid-19**

The pandemic that hit the UK in 2020 created significant uncertainty in all aspects of business and day to day life. With key worker status, the business has remained operationally compliant throughout 2020 to ensure there were minimal disruptions in the supply of essential medicines to patients.

Throughout 2020 it was evident that the supply chain was adversely impacted by the pandemic in terms of production, product release, freight forwarding constraints and freight cost increases. Furthermore, during the first lockdown phase monthly sales were impacted as a result of the change in prescribing patterns of medicines.

Throughout the pandemic the Company has invested significantly to ensure a safe working environment:

- An additional unit within the local business park was rented and immediately opened which supported our onsite workforce being socially distanced;
- Appropriate levels of PPE and screening have been purchased and distributed throughout the Loughborough site;
- Developed and maintained working from home routines for those members of staff who are able to do so;
- Clear work instructions and processes for onsite staff.

**Financial risk management objectives and policies**

The Company is exposed to a certain level of price risk, which is managed by having a wide range of products held as stock for sale to customers. The Company's exposure to credit risk, liquidity risk and cash flow risk is at a moderate 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.

There are foreign currency exchange risks arising from purchases and sales in foreign currency. The Company does not hedge against foreign currency risk and manages these carefully with efficient monitoring and forecasting of cash flow.

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Section 172(1) Statement**

*(a) the likely consequences of any decision in the long term*

The Company makes decisions by considering the long-term value added by them. The directors have previously invested heavily in the Falsified Medicines Directive (FMD) compliance and in the support of staff within the business as well as investment in new products to ensure the continuity in revenue generation for years to come. The Company builds customer relations by taking a long-term view of both sales and purchase partnerships. During 2020, investments have been initiated in an Enterprise Resource Planning platform and an Electronic Quality Management System to support the growth strategy of the Company through the improvement of internal processes and efficiencies. These investments are aligned to senior level staff appointments and other key recruitments.

*(b) the interests of the Company's employees*

The Company is committed to being a responsible employer. Our behaviour is aligned with our core values and the expectations of our staff, customers, shareholders and communities as a whole. People are at the heart of our business, and to succeed we manage performance, develop, and bring through talent whilst operating as efficiently as possible.

Good communication underpins the Company culture, which is focussed on developing an innovative and ideas-led, environment. To keep colleagues informed the Company has a people-first approach, where any changes/ updates are communicated through a number of channels including: executive briefings, the staff newsletter, all colleague emails and regular 1:1 meetings.

*(c) the involvement of key stakeholders in business planning and strategic decision making*

All department heads are required to devise their departmental objectives and measures to support the delivery of overall business goals set for each financial year, through objective meetings. Those agreed goals, objectives and measures are communicated to the whole company and provide each individual in the Company with full visibility of the strategic directions of the Company.

The Company also holds twice-yearly Commercial Management Review Meetings (CMRM) and Quality Management Review Meetings (QMRM) chaired by the Chief Executive to review business performance in each area, share best practices, and identify resource requirements to overcome challenges and adjust long-term business plans as appropriate.

Senior members of the teams will be involved in discussion and critical decision-making that have site-wide impact via regular leadership meetings.

*(d) the need to foster the Company's business relationships with suppliers, customers and others*

Our strategy prioritises the development of niche and cutting edge branded and generic medicines that can be safely delivered to patients. To do this, we maintain strong customer and supplier relationships, building upon our commitment to the absolute quality of the products, as well as establishing a robust and accredited supply chain. The development of positive customer relationships has been supported by key recruitments within our customer facing departments.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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*(e) the impact of the Company's operations on the community*

The Company's values and behaviours are centred around delivering a mission of 'making quality healthcare an affordable and accessible reality throughout the world.' As part of the business' approach to creating positive change for people and communities, Morningside focusses its corporate social responsibility (CSR) activities on a number of core areas, including:

- Skills, Education and preparing young people for the world of work;
- Supporting learning through sport, team work and promoting healthy living;
- Community, health and mental health – both in the UK and internationally;
- Promoting the benefits of innovation, Research & Development (R&D) and international trade.

**Section 172(1) Statement (continued)**

To deliver against these aspirations the Company provides substantial financial support to charities and communities in the UK and around the world. Examples of this include its involvement in local and national community awards, the sponsorship of Leicestershire County Cricket Club's Morningside Medical Centre at their Grace Road Ground; and donations of medicines of significant value to international aid organisations. The Company is also the named partner of the Morningside Arena, Leicester, and gifts fundraising space to local charities, as part of this agreement.

*(f) the impact of the Company's operations on the environment*

The majority of the Company's carbon footprint is down to the import and export of its pharmaceutical products. To help reduce this, the Company actively works with shipping companies that comply with the International Maritime Organization's IMO20, which is a global regulation that will substantially reduce harmful sulphur oxide emissions from ships. This brings significant benefits to both human health and the environment. The Company also embraces recycling at all of its sites.

*(g) the impact of the Company's operations on humanity and human rights*

The Company is committed to acting ethically and with integrity in all business relationships and to implementing and enforcing effective systems to ensure people are protected within our business and supply chains.

The Company is also one of the leading suppliers of a wide-range of quality medicines and medical devices to UN organisations, NGOs, international aid agencies and charities, which in turn provide essential medical supplies to developing countries. Through the Company's Loughborough distribution centre, we deliver global aid to crisis-hit states in developing countries.

*(h) The need to act fairly between members of the Company*

The Company endeavours to behave responsibly toward all shareholders and employees and to treat them fairly and equally, so they benefit from the successful delivery of the business plan.

The Company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise.

During employment, the Company will seek to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

*(i) Provide a breakdown showing the gender, age and ethnicity of the organisation*

The Company is committed to ensuring fairness and merit led development of people. This is seen through recruiting staff into the organisation or promoting internally.

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## MORNINGSIDE PHARMACEUTICALS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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During the year ending 2020, Ethnicity was 53% British, 14% European and 33% outside of these regions. Gender: 57% of employees are female and 43% are male. The gender breakdown of the senior team is 58% male and 42% female.

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

**Dr Nik Kotecha**  
Digitally signed by Dr Nik Kotecha OBE  
DN: cn=Dr Nik Kotecha OBE, o=Morningside  
Pharmaceuticals Ltd, ou=Chairman,  
email=drnik@morningsidepharm.com, c=GB  
Date: 2021.03.21 13:09:48 Z  
**OBE**  
**Dr N R Kotecha**  
Director

Date:



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## MORNINGSIDE PHARMACEUTICALS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their annual report and the audited financial statements of Morningside Pharmaceuticals Limited (the "Company") for the year ended 31 December 2020.

#### Principal activity

The principal activity of the Company continued to be that of the purchase, wholesale, batch release, distribution and export of pharmaceutical and healthcare products.

#### Results and dividends

The results for the year are set out on page 14.

Ordinary dividends were paid amounting to £13,000,000 (2019: £9,500,000). The directors do not recommend payment of any further dividend.

#### Post balance sheet events

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

#### Future developments

The Company will strive to continue to launch new niche products for future revenue while maintaining robust supply chains. As the Covid-19 pandemic continues, the Company endeavours to work closely with all its partners to ensure that minimal disruption in the supply of essential medicines.

#### Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has gathered data regarding scope one, two and three carbon emissions (as defined by the GHG Protocol) for the financial year spanning 1st January 2020 to 31st December 2020 from its UK Operations for inclusion in Company Reporting (2020) as defined by the requirements as follows:

Scope	Description	kWH / miles	Conversion factor	tCO2e
One	Gas consumption	25,744	0.18387	4.73
Two	Electricity consumption	155,969	0.23314	36.36
Three	Private vehicle business mileage	3,089	0.28052	0.87
				<u>41.96</u>

The energy consumption information for scope one and two measures has been sourced from utilities bills and the information from scope three has been taken from employee expense claims. Since this is the first year of the carbon footprint calculation, it is not possible to publish a year on year change at this time.

The Specific Carbon Consumption (SCC) for the period is calculated at 0.00066 kgCO<sub>2</sub>e /£'000 of revenue.

#### Matters covered in the strategic report

The Company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the Company's Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of financial instruments and stakeholder engagement.

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

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**Directors**

The directors who served during the year and up to the date of signature of the financial statements were:

Dr N R Kotecha OBE

M N Kotecha

**Qualifying third party indemnity provisions**

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the 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 the 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 United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

The directors 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.

**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.

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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**Auditors**

RSM 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.

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

**Dr Nik**

**Kotecha OBE**

**Dr N R Kotecha**

Director

Digitally signed by Dr Nik Kotecha OBE  
DN: cn=Dr Nik Kotecha OBE, ou=Morningside  
Pharmaceuticals Ltd, ou=Chairman,  
email=drnik@morningsidepharm.com, c=GB  
Date: 2021.03.21 13:10:11 Z

Date:

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNINGSIDE PHARMACEUTICALS LIMITED**

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**Opinion**

We have audited the financial statements of Morningside Pharmaceuticals Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included a review of management forecasts and associated sensitivity analysis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNINGSIDE PHARMACEUTICALS LIMITED (CONTINUED)**

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**Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNINGSIDE PHARMACEUTICALS LIMITED (CONTINUED)**

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**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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.

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Company operates in and how the Company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNINGSIDE PHARMACEUTICALS LIMITED (CONTINUED)**

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As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to product safety and medical device management, and are regulated by the Medicines and Healthcare Products Regulatory Agency and British Standards Institution, the Falsified Medicines Directive, and competition laws as regulated by the Competition and Markets Authority. We performed audit procedures to inquire of management and those charged with governance and legal representatives, whether the company is in compliance with these laws and regulations and inspected correspondence with these licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and valuation of stock as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the valuation of stock.

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.

*RSM UK Audit LLP*

Benjamin Lawrance (Senior Statutory Auditor)

For and on behalf of

**RSM UK Audit LLP, Statutory Auditor**

Chartered Accountants

Rivermead House

7 Lewis Court

Grove Park

Leicester

Leicestershire, LE19 1SD

Date: 25 March 2021

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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	Note	2020 £	2019 £
Turnover	4	63,126,764	64,053,352
Cost of sales		(41,273,559)	(42,615,635)
<b>Gross profit</b>		<b>21,853,205</b>	<b>21,437,717</b>
Administrative expenses		(7,187,102)	(6,576,021)
Other operating income		4,420	-
<b>Operating profit</b>	5.	<b>14,670,523</b>	<b>14,861,696</b>
Interest receivable and similar income	9	37,484	18,178
Interest payable and similar expenses	10	-	(3,466)
<b>Profit before taxation</b>		<b>14,708,007</b>	<b>14,876,408</b>
Tax on profit	11	(2,831,314)	(2,853,539)
<b>Profit for the financial year</b>		<b>11,876,693</b>	<b>12,022,869</b>
<b>Total comprehensive income for the financial year</b>		<b>11,876,693</b>	<b>12,022,869</b>

The notes on pages 17 to 31 form part of these financial statements.



**MORNINGSIDE PHARMACEUTICALS LIMITED**  
**REGISTERED NUMBER: 02672877**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	13	688,560	715,109
<b>Current assets</b>			
Stocks	14	9,926,487	7,334,076
Debtors	15	13,123,952	11,982,609
Cash at bank and in hand	16	1,289,057	1,472,927
		<u>24,339,496</u>	<u>20,789,612</u>
Creditors: amounts falling due within one year	17	(16,969,957)	(12,332,711)
<b>Net current assets</b>		<u>7,369,539</u>	<u>8,456,901</u>
<b>Total assets less current liabilities</b>		<u>8,058,099</u>	<u>9,172,010</u>
<b>Provisions for liabilities</b>			
Deferred taxation	18	(90,943)	(81,547)
<b>Net assets</b>		<u>7,967,156</u>	<u>9,090,463</u>
<b>Capital and reserves</b>			
Called up share capital	19	100	100
Profit and loss account	20	7,967,056	9,090,363
<b>Total shareholders' funds</b>		<u>7,967,156</u>	<u>9,090,463</u>

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

Dr Nik

Kotecha OBE

Digitally signed by Dr Nik Kotecha OBE  
 DN: cn=Dr Nik Kotecha OBE,  
 o=Morningside Pharmaceuticals Ltd,  
 ou=Chairman,  
 email=drnik@morningsidepharm.com,  
 c=GB  
 Date: 2021.03.21 13:10:40 Z

**Dr N R Kotecha OBE**

Director

Date:

The notes on pages 17 to 31 form part of these financial statements.

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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	Called up share capital £	Profit and loss account £	Total shareholders' funds £
<b>At 1 January 2019</b>	<b>100</b>	<b>6,567,494</b>	<b>6,567,594</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	12,022,869	12,022,869
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>12,022,869</b>	<b>12,022,869</b>
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(9,500,000)	(9,500,000)
<b>Total transactions with owners</b>	<b>-</b>	<b>(9,500,000)</b>	<b>(9,500,000)</b>
<b>At 31 December 2019 and 1 January 2020</b>	<b>100</b>	<b>9,090,363</b>	<b>9,090,463</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	11,876,693	11,876,693
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>11,876,693</b>	<b>11,876,693</b>
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(13,000,000)	(13,000,000)
<b>Total transactions with owners</b>	<b>-</b>	<b>(13,000,000)</b>	<b>(13,000,000)</b>
<b>At 31 December 2020</b>	<b>100</b>	<b>7,967,056</b>	<b>7,967,156</b>

The notes on pages 17 to 31 form part of these financial statements.

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

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**1. General information**

Morningside Pharmaceuticals Limited (registered no. 02672877) (the "Company") is a private company, limited by shares incorporated in England. The registered office is Nene House, 4 Rushmills, Northampton, NN4 7YB and the principal place of business is 5 Pavilion Way, Castle Business Park, Loughborough, Leicestershire, LE11 5GW.

The Company's principal activity and nature of its operations are disclosed 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 judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently unless otherwise stated:

**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 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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Randalsun Holdings Limited as at 31 December 2020 and these financial statements may be obtained from Nene House, 4 Rushmills, Northampton, NN4 7YB.

**2.3 Going concern**

At the time, of approving the financial statements, the directors have produced forecasts and assessed the possible impact of Covid-19 on the business and their expectation are that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors are satisfied that any impact of Covid-19 will not affect the ability of the business to continue as a going concern and thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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

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**2. Accounting policies (continued)**

**2.4 Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

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 dispatched and legal title has passed and the Company has no continuing managerial involvement associated with ownership or effective control of the goods sold.

**2.5 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**2.6 Interest income**

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

**2.7 Finance costs**

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

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

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**2. Accounting policies (continued)**

**2.8 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. 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 and deferred tax is charged or credited to the statement of income.

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 the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. 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 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.

**2.9 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 fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. The holiday year of Morningside Pharmaceuticals Limited ends at the reporting date and employees are entitled to carry forward a maximum of seven days unused holiday.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**2.10 Retirement benefits**

For defined contribution schemes the amount charged to the statement of income 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.

**2.11 Tangible assets**

Tangible assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

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**2. Accounting policies (continued)**

**2.11 Tangible assets (continued)**

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following basis:

Leasehold improvements	- 15 years straight line
Plant and machinery	- 20% reducing balance
Fixtures and fittings	- 15% reducing balance
Equipment	- 33.33% straight line

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.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

**2.12 Impairment of fixed assets**

At each reporting period end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

**2.13 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks 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 the statement of income.

**2.14 Debtors**

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

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

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2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

2.16 Creditors

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

2.17 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' (where applicable) of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction.

**Impairment of financial assets**

Financial assets, other than those held at fair value through the statement of income, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the statement of income.

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

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2. Accounting policies (continued)

2.18 Financial instruments (continued)

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

2.19 Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

2.20 Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) 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.

All translation differences are taken to the statement of income.

2.21 Dividends

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



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

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

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The directors are of the opinion that there are no estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

**Critical judgements**

The following judgements have had the most significant effect on amounts recognised in the financial statements.

**Stock provision**

Stocks are valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and stock loss trends. The carrying value of stock at the year end was £9,926,487 (2019: £7,334,076).

**4. Turnover**

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

	2020 £	2019 £
Sale of pharmaceutical and healthcare products	<u>63,126,764</u>	<u>64,053,352</u>

The geographical analysis of turnover has not been given as in the opinion of the directors such disclosure would be seriously prejudicial to the interests of the Company.

**5. Operating profit**

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

	2020 £	2019 £
Depreciation of tangible assets	159,359	132,849
Exchange (gains)/losses	(29,432)	21,263
Operating lease charges	197,297	138,000
Impairment of stocks recognised or reversed	384,215	537,220
Charitable donations	<u>2,003,835</u>	<u>2,000,000</u>

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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**6. Auditor's remuneration**

	2020 £	2019 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<u>20,274</u>	<u>18,500</u>
<b>Fees payable to the Company's auditors in respect of:</b>		
Taxation compliance services	-	5,065
Other taxation services	-	4,750
All other non-audit services	-	26,634
	<u>-</u>	<u>36,449</u>

**7. Employees**

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

	2020 £	2019 £
Wages and salaries	2,563,239	2,181,649
Social security costs	231,716	203,594
Pension costs	69,235	56,496
	<u>2,864,190</u>	<u>2,441,739</u>

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

	2020 Number	2019 Number
Office and management	<u>93</u>	<u>79</u>

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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**8. Directors' remuneration**

	2020 £	2019 £
Remuneration for qualifying services	<u>28,507</u>	<u>28,747</u>

**9. Interest receivable and similar income**

	2020 £	2019 £
Foreign exchange gain on bank balances	29,432	-
Interest on bank deposits	8,052	17,522
Other interest income	-	656
	<u>37,484</u>	<u>18,178</u>

**10. Interest payable and similar expenses**

	2020 £	2019 £
Foreign exchange loss on bank balances	<u>-</u>	<u>3,466</u>

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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**11. Tax on profit**

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the financial year	2,821,658	2,858,830
Adjustments in respect of previous periods	260	-
<b>Total current tax</b>	<b>2,821,918</b>	<b>2,858,830</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,279)	(5,291)
Changes to tax rates	9,708	-
Adjustments in respect of previous periods	967	-
<b>Total deferred tax</b>	<b>9,396</b>	<b>(5,291)</b>
<b>Total tax</b>	<b>2,831,314</b>	<b>2,853,539</b>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2019: higher than 19.00%). The differences are explained below:

	2020 £	2019 £
Profit before taxation	14,708,007	14,876,408
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	2,794,521	2,826,518
<b>Effects of:</b>		
Tax effect of expenses that are not deductible in determining taxable profit	25,864	27,021
Adjustments to tax charge in respect of prior periods	1,227	-
Group relief	(6)	-
Changes in tax rates	9,708	-
<b>Total tax charge for the financial year</b>	<b>2,831,314</b>	<b>2,853,539</b>

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

11. Tax on profit (continued)

Factors that may affect future tax charges

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020. A further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

12. Dividends

	2020 £	2019 £
Interim ordinary dividends paid of £130,000 (2019: £95,000) per share	13,000,000	9,500,000

13. Tangible assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
<b>Cost</b>					
At 1 January 2020	598,071	101,645	114,501	309,586	1,123,803
Additions	17,722	-	14,010	101,078	132,810
At 31 December 2020	615,793	101,645	128,511	410,664	1,256,613
<b>Accumulated depreciation</b>					
At 1 January 2020	103,063	72,496	50,789	182,346	408,694
Charge for the year	40,899	7,019	12,214	99,227	159,359
At 31 December 2020	143,962	79,515	63,003	281,573	568,053
<b>Net book value</b>					
At 31 December 2020	471,831	22,130	65,508	129,091	688,560
At 31 December 2019	495,008	29,149	63,712	127,240	715,109

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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**14. Stocks**

	2020 £	2019 £
Finished goods and goods for resale	<u>9,926,487</u>	<u>7,334,076</u>

Finished goods stock with a carrying value of £384,215 (2019: £537,220) has been written down to £Nil (2019: £Nil). No earlier stock write down has been reversed during the current, or preceding period.

**15. Debtors**

	2020 £	2019 £
Trade debtors	13,026,469	11,860,712
Other debtors	2,249	2,250
Prepayments and accrued income	95,234	119,647
	<u>13,123,952</u>	<u>11,982,609</u>

As at 31 December 2020 an impairment loss of £Nil (2019: £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.

**16. Cash at bank and in hand**

	2020 £	2019 £
Cash at bank and in hand	<u>1,289,057</u>	<u>1,472,927</u>

**17. Creditors: amounts falling due within one year**

	2020 £	2019 £
Trade creditors	14,423,082	9,158,477
Corporation tax	56,290	1,426,709
Taxation and social security	1,017,948	622,057
Other creditors	429	429
Accruals and deferred income	1,472,208	1,125,039
	<u>16,969,957</u>	<u>12,332,711</u>

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**MORNINGSIDE PHARMACEUTICALS LIMITED**

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

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**18. Deferred taxation**

	2020 £
At beginning of year	81,547
Charged to profit or loss	9,396
<b>At end of year</b>	<b>90,943</b>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	90,943	81,547

The deferred tax liability set out above includes £90,943 (2019: £2,000) which is expected to reverse within 12 months with respect to the accelerated capital allowances that are expected to mature within the same period.

**19. Called up share capital**

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
100 (2019: 100) Ordinary shares of £1 (2019: £1) each	100	100

**Ordinary share rights**

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

**20. Reserves****Profit and loss account**

Cumulative profit and loss net of distribution to owners.

**21. Capital commitments**

At 31 December the Company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	25,341	-

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

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**22. Retirement benefit schemes**

	<b>2020</b>	2019
	<b>£</b>	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<b>69,235</b>	56,496

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

**23. Commitments under operating leases**

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

	<b>2020</b>	2019
	<b>£</b>	£
Not later than one year	<b>226,401</b>	138,000
Later than one year and not later than five years	<b>876,310</b>	552,000
Later than five years	<b>1,364,000</b>	828,000
	<b>2,466,711</b>	1,518,000



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

24. Related party transactions

Transactions with related parties

During the year the Company entered into the following transactions with related parties:

	Sales 2020 £	2019 £	Purchases 2020 £	2019 £
Parties related through common directors and ownership	-	-	147,939	66,680
Key management personnel	-	-	50,328	72,802
Other related parties	109,529	115,704	20,346,211	19,305,072

Amounts in respect of parties related through common directors and control and key management personnel relate to rents paid on properties occupied by the Company. Amounts in respect of other related parties relate principally to the payment of royalties.

Other related parties referred to above are related to the Company because the directors and shareholders of the related companies are the brothers of M N Kotecha.

The Company also made a donation of £2m (2019: £2m) to a Charitable Foundation of which both directors of the Company are on the charity's Board, constituted of four trustees including an external appointed professional trustee.

Balances outstanding in respect of related parties at the end of the financial year were:

	2020 £	2019 £
<b>Amounts due to related parties</b>		
Other related parties	9,085,087	7,017,592
	<b>2020 £</b>	<b>2019 £</b>
<b>Amounts due from related parties</b>		
Other related parties	6,033	94,007

25. Ultimate parent undertaking and controlling party

The directors consider the immediate parent undertaking to be Remedi Medical Holdings Limited and ultimate parent undertaking to be Randalsun Holdings Limited, which was preceded in the period as the ultimate parent undertaking by Remedi Medical Holdings Limited following an ownership transfer, all companies incorporated in the United Kingdom.

The ultimate controlling party is considered to be Dr N R & M N Kotecha throughout the period.