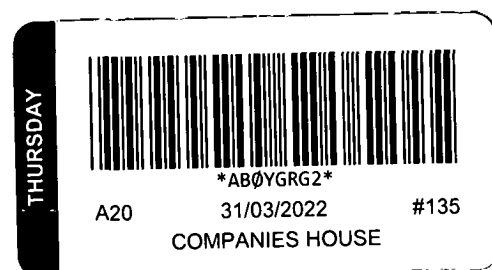




Marlborough Pharmaceuticals Limited

Annual Report and Financial Statements
Year ended 31 March 2021

Registered number 05339752



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Company Information

Company registration number

05339752

Registered office

Suite 1
Third Floor
11-12 St James Square
London
SW1Y 4LB

Directors

A V Patel
J Burt
F Florez
R B Patel
N Williams

Auditor

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Secretary

Vistra Company Secretaries Limited
First Floor
10 Temple Back
Bristol
BS1 6FL

Strategic report

Business review and principal activities

The primary activity of Marlborough Pharmaceuticals Limited (the "Company") is the sale, marketing, and distribution of high-quality branded prescription medicines in the UK. The Company both acquires tried and trusted medicines and iconic brands from innovator pharma companies and also develops them in-house.

The Directors are satisfied with the Company's trading performance for the year ended 31 March 2021, which recorded an operating profit of £5,327,962 (2020: £7,719,458). As a result, the Company ended the year with net assets of £23,183,797 (2020: £18,022,743).

Key performance indicators (KPIs)

The KPIs that the Directors monitor are Operating Profit, Net Profit and Net Cash. These are important metrics since its immediate parent company, Atnahs Pharma UK Limited, has borrowed significant funds from Atnahs International Holdings Limited directly in order to acquire Marlborough Pharmaceuticals Limited and the medicines it owns. As a result, Atnahs Pharma UK Limited needs to ensure that Marlborough Pharmaceuticals Limited generates sufficient profit and cash to provide a reasonable return on these funds, and eventually positions itself to repay them.

	2021	2020
	£000	£000
Operating Profit	5,328	7,719
Net Profit	5,161	7,767
Net Cash		2

Principal risks and uncertainties

The principal risks affecting the Company's medium and long-term sustainability and viability are (1) its ability to generate a sufficient return from its acquired medicines; and (2) its ability to bring its developed medicines to market on a timely basis. In order to continue marketing its medicines, the Company must ensure that it remains compliant with various regulatory, pharmacovigilance, technical and quality requirements. The Company considers these requirements of the utmost importance and employs teams dedicated to maintaining compliance on an ongoing basis.

The principal uncertainties impacting the Company's performance are (1) stock-outs resulting from unforeseen issues at the Company's contract manufacturers; delays in Marketing Authorisation Transfers, and inability to supply due to quality holds; and (2) adverse foreign exchange movements, as the Company generates sales and incurs costs in multiple currencies (primarily Sterling, Euro and US Dollar) that may weaken versus the Sterling reporting currency.

Brexit

On 31 January 2020, the United Kingdom (UK) ceased to be a member of the European Union (EU), commonly referred to as "Brexit". As a result of the referendum, the British government began negotiating the terms of the UK's future relationship with the EU, and to 31 December 2020 continued to comply with EU regulations. During this transition period, the Company had reviewed and prepared for the potential impact of greater restrictions on imports and exports between the UK and the EU countries, and increased regulatory complexities. This included restructuring the Company's licence framework and key trading entities within the EU, as well as focusing on the Company's supply chain and stock levels. As a result of these activities and conclusion of the UK and EU withdrawal and future trade terms between the UK and EU, the Company has not experienced any material adverse impact as a result of Brexit.

COVID-19

As a general comment, governments across the world have endeavoured to maintain consistent supply of medicines. Based on the latest Government data available, it is now believed that the peak impact of Covid-19 has passed and that this ongoing situation will only continue to show improvements going forward based on increasing vaccination rates and global lockdown improvement rates.

Strategic report (continued)

COVID-19 (continued)

As a distributor of medicines, the Pharmanovia Group (“the Group”) has not been significantly adversely affected by COVID-19 and the cash reserves and financing facilities available to the Group were sufficient to compensate for any short-term fall in revenue. At the end of Q3 FY 2022, the Group’s net sales were 8% higher than Q3 FY 2021 with in line sales being 28.4% higher in Q3 FY 2022 than Q3 FY 2021. Whilst the global pandemic, due to COVID-19, has affected some of the products negatively, others are little affected due to the nature of the medicine. Close monitoring of the performance of each market and medicine within the Group has been in place since the start of COVID-19 and remains in place in respect of weekly monitoring of market data, supply chain management and cash flow forecasting to allow remedial actions to be quickly enacted, should they be required.

The Group has managed the impact to its supply chain well, fulfilling air and land shipments in line with planning and remaining in inventory across the board. Strategically, the Group elects to hold relatively high amounts of inventory and it has broadly maintained these levels (at 164 days on average for FY21 and 155 days for FY20) with the tendency to increase as it transitions acquired medicines inventory in house. The Group has also taken measures to ensure social distancing in all offices, and to introduce working from home policies for employees. The Group has maintained operations as normal throughout the pandemic and did not furlough any of its employees.

Management has developed scenarios including plausible downside ones, to understand potential future impacts of COVID-19. None of the scenarios impacted the Group in a way that liquidity levels were unsustainable. A scenario with sales levels 10% below targets for the rest of FY22 and then a further 15% drop in two of the months for a worst-case scenario of a further two lockdowns over winter results in the Group still being EBITDA positive and cash flow generative. The Group’s operating cash inflow at the end of Q3 FY22 was £71.3m and there is only limited risk that Q4 will see much reduced levels of cash inflows. Even at the worst-case simulations, liquidity levels will stay healthy and available revolving credit facilities from Group undertakings of £95m will remain unused. Drawings, net of cash, would need to exceed 40% for the financial covenants to apply, even if this scenario was met the analysis shows enough headroom for the Group to not breach any financial covenant conditions. The borrowings due to group undertakings are repayable after more than 12 months from the date of signing these accounts.

The forecasts prepared by the directors indicate that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of the financial statements. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Section 172(1) Statement

The revised UK Corporate Governance Code (‘2018 Code’) was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 (‘2018 MRR’) require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 (‘S172’) when performing their duty to promote the success of the Company under S172.

This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Directors welcome the direction of the UK Financial Reporting Council (the ‘FRC’). This S172 statement explains how the Group’s Directors:

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

The S172 statement focuses on matters of strategic importance to the Group, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors’ duties

The Board has a clear framework for determining the matters within its remit and certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. When making decisions, the Board ensures that it acts in a way it considers, in good faith, would most likely promote the Group’s success for the benefit of its shareholders as a whole and in doing so have regard (among other matters) to:

Strategic report (continued)

Section 172(1) Statement (continued)

S172(1)(A) “The likely consequence of any decision in the long term”

The Board understands the business and the evolving environment in which the Group operates and strives to deliver high quality branded prescription medicines to patients, prescribers and healthcare providers across the world. Based on the Group’s strategy to “acquire, market, develop”, the Board intends to continue to strengthen and diversify its position through acquiring new branded medicines and developing its own branded generic portfolio. In FY 2021, to help achieve these strategic ambitions, the Board sanctioned significant funding to enable the acquisition of Valium® and Pharmanovia Belgium B.V. and Lamepro B.V. to strengthen the Group’s presence in the Benelux region and further expanded its physical footprint through the establishment of offices in Italy, Singapore, and Turkey.

S172(1)(B) “The interests of the Group’s employees”

The Board recognises that the Group’s employees are fundamental to the execution of the Group’s strategic ambitions. The success of the business depends on attracting, retaining and motivating the best employees through progression, development and compensation. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Board factors the implications of decisions on employees and the wider workforce, where relevant and feasible. In the past twelve months the Group’s employees have become increasingly physically remote, due to a combination of Covid lockdown measures and the Group’s expanded geographical reach. As well as improving other lines of communication, the Group has increased the frequency of “Town Hall” sessions with employees to provide updates on Group strategy as well as what is going on across the Group. The Group also rolled out its inaugural employee engagement survey which will provide a springboard for some of the Group’s key areas of focus in terms of employee progression, development and well-being in the next 12 months.

S172(1)(C) “The need to foster the Group’s business relationships with suppliers, customers and others”

Delivering the strategy requires strong mutually beneficial relationships with manufacturers, distributors and regulatory bodies. Collaborative relationships and regular contact by management with Pharmanovia’s partners enables the Group to build long term strategic relationships. The Board promotes the principles of transparency, honesty and integrity in dealings with these stakeholders, and continuously checks to ensure the Group acts on these principles. As a pharmaceutical business, the Board prioritises regulatory compliance and seeks to have transparent and cooperative relationships with all regulatory authorities.

S172(1) (D) “The impact of the company’s operations on the community and the environment”

The Board takes its responsibilities to patients, prescribers and regulators with the utmost seriousness. Although it does not manufacture medicines, it does distribute them, and so ensures that it applies Good Distribution Practice (GDP) without exception. As well as complying with all the legal and regulatory frameworks that apply, Pharmanovia recognises the importance of giving back to the communities in which we operate, and to charities that have meaning to our business. It is vitally important to the Group and its employees to make a positive difference and have an impact where it counts.

The Directors recognise that the Group’s operations have an impact on the environment - from the energy and resources used, to the products supplied and the waste generated. As an organisation Pharmanovia is committed to reducing the environmental impact of its operations and minimising its environmental footprint.

S172(1) (E) “The desirability of the company maintaining a reputation for high standards of business conduct”

The Board aims to maintain a reputation for high standards of business conduct through professionalism and ethical behaviour. The Board periodically reviews and approves frameworks, such as its Code of Conduct and Modern Slavery and Human Trafficking Statement to ensure that its high standards are maintained both within the Pharmanovia business and the business relationships that it maintains. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that the Group acts in ways that promote high standards of business conduct.

S172(1)(F) “The need to act fairly as between members of the company”

The Board acknowledges its responsibility to act fairly between the company’s members.

Culture

First and foremost, the Group’s responsibility is to its patients. It commits to adhere to the highest standards of medical practice and to deliver high-quality medicines. It aims to be a responsible business that acts fairly and honestly at all times, endeavours to manage its supply chain responsibly and wants to give equal opportunities to its employees, to welcome different viewpoints and perspectives and to create a workplace free from harassment and bullying.

Strategic report (continued)

Section 172(1) Statement (continued)

Stakeholder engagement

The Board recognises the important role the Group has to play in meeting the needs of patients and prescribers. It strongly believes that it will only succeed in playing this role by working with its distributors, manufacturers, regulatory authorities, investors and other stakeholders. This is particularly the case at this time, when society faces issues as complex and challenging as climate change and the COVID-19 pandemic.

By order of the board on 30 March 2022

DocuSigned by:

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F Florez
Director

Directors' report

The Directors present their report together with the financial statements of Marlborough Pharmaceuticals Limited ("the Company") for the year ended 31 March 2021.

Dividends

The Directors are satisfied with the Company's trading performance for the year. The Directors do not recommend the payment of a dividend in the year (2020: £Nil).

Events after the balance sheet date

There were no events after the balance sheet date.

Future developments

The Group continues to invest in broadening and diversifying its product portfolio, and it expects to acquire additional branded medicines as well as launch new branded generic medicines in FY22. It also continues to invest in its platform, improving and expanding its sales, regulatory, pharmacovigilance and quality functions, as well as its supply chain, finance and IT infrastructure.

Directors

The Directors of the Company during the year and since the year end were:

A Patel
J Burt (appointed 7 December 2021)
F Florez (appointed 1 June 2021)
A Hay (resigned 7 December 2021)
R Patel
N Williams

The Company did not provide qualifying third-party indemnity provisions to its Directors during the year (2020: nil).

Political and charitable contributions

The Company made political and charitable donations of £Nil during the year (2020: £Nil).

Streamlined Energy and Carbon Reporting

Energy and carbon reporting has been disclosed in the Group accounts of the immediate parent company, Atnahs Pharma UK Limited and therefore not included in these accounts.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 4.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board on 30 March 2022

DocuSigned by:

488C31F5A25E44E...
F Florez
Director

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 - Reduced disclosure framework ("FRS 101").

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Marlborough Pharmaceuticals Limited

Opinion

We have audited the financial statements of Marlborough Pharmaceuticals Limited ("the company") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

Independent auditor's report to the members of Marlborough Pharmaceuticals Limited (continued)

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue recognition was deemed non-complex and there was limited perceived pressure on management to achieve an expected earning target.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

Independent auditor's report to the members of Marlborough Pharmaceuticals Limited (continued)

- 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Prince (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House,

100, Hills Road

Cambridge

CB2 1AR

30 March 2022

Statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue	5	10,844	15,424
Cost of Sales		(551)	(1,219)
Gross Profit		10,293	14,205
Distribution costs		(345)	(473)
Administrative expenses		(4,256)	(5,981)
Other operating expenses		(364)	(32)
Operating Profit	6	5,328	7,719
Finance income	8	37	49
Profit on ordinary activities before taxation		5,365	7,768
Tax on ordinary activities	9	(204)	(1)
Profit on ordinary activities after taxation		5,161	7,767

All amounts relate to continuing operations.

There were no other components of comprehensive income during 2021 or 2020. As a result, total comprehensive income for the year is the same as the profit for the year.

The notes on pages 16 to 25 form part of these financial statements.

Statement of financial position
at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Assets					
Fixed assets					
Intangible assets	10	3,216		1,710	
Tangible assets	11	<u>411</u>		<u>162</u>	
			3,627		1,872
Current assets					
Inventories	13	808		431	
Trade and other receivables	12	19,779		20,676	
Cash and cash equivalents		<u>-</u>		<u>2</u>	
		20,587		21,109	
Creditors: amounts falling due within one year	14	<u>(1,030)</u>		<u>(4,958)</u>	
Net current assets			19,557		16,151
Total assets less current liabilities			<u>23,184</u>		<u>18,023</u>
Creditors: amounts falling due after one year					
Total assets			<u>23,184</u>		<u>18,023</u>
Equity and liabilities					
Capital and reserves					
Called up share capital	15		12		12
Capital redemption reserve			350		350
Profit and loss account			<u>22,822</u>		<u>17,661</u>
Total equity			<u>23,184</u>		<u>18,023</u>

The notes on pages 16 to 25 form part of these financial statements.

These financial statements were approved by the board of Directors on 30 March 2022.

DocuSigned by:

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F Florez
Director

Statement of changes in equity
for the year ended 31 March 2021

	Share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2019	12	350	9,894	10,256
Total comprehensive income for the year	-	-	7,767	7,767
Balance at 31 March 2020	12	350	17,661	18,023
Balance at 1 April 2020	12	350	17,661	18,023
Total comprehensive income for the year	-	-	5,161	5,161
Balance at 31 March 2021	12	350	22,822	23,184

The notes on pages 16 to 25 form part of these financial statements.

Notes to Financial statements

1 Corporate information

The principal activity of the Company is the sale, marketing and distribution of its own branded and branded generic prescription medicines globally. The Group acquires branded medicines from large and specialty pharmaceutical companies and “breathes new life” into them primarily through marketing and promotion. It also develops its own branded generic medicines in-house. It refers to this strategy as “Acquire, Market, Develop”.

The Company is a private Company incorporated, domiciled and registered in England, UK. The registered number is 05339752 and the registered address is 11-12 St James Square, London, SW1Y 4LB.

2 Accounting policies

2.1 Basis of preparation

The financial statements of Marlborough Pharmaceuticals Limited have been prepared in accordance with Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (“FRS 101”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The functional currency of the Company is considered to be GBP because that is the currency of the primary economic environment in which the Company operates all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, ‘Financial instruments: Disclosures’.
- Paragraphs 91 to 99 of IFRS 13, ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ - comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1.
- The following paragraphs of IAS 1, ‘Presentation of financial statements’:
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- IAS 7, ‘Statement of cash flows’.
- Paragraphs 30 and 31 of IAS 8, ‘Accounting policies, changes in accounting estimates and errors’ (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation).
- The requirements in IAS 24, ‘Related party disclosures’, to disclose related party transactions entered into between two or more members of a Company.
- The requirement of IFRS 1, ‘First-time adoption of International Financial Reporting Standards’, to present a statement of financial position at the date of transition.

Notes to Financial Statements (continued)

2.2 Going concern

The Directors have considered the factors that impact Marlborough Pharmaceuticals Limited (the "Company") and their future development, performance, cash flows and financial position along with the Group and Company's current and forecast liquidity in forming their opinion on the going concern basis. In doing so the Directors have reviewed forecasts covering a period of at least 12 months from the date of signing these financial statements.

Management has prepared forecasts for the 12 months to 31 March 2023, including severe but plausible downsides, to understand potential impacts of any further COVID-19 impact based on the experienced downside to date. None of these scenarios impacted the Group in a way that liquidity levels were unsustainable. A severe but plausible downside scenario with sales levels at 10% below targets for the rest of FY 2022 then a further 15% drop in November 2022 and February 2023 factoring in a worst-case scenario of two further lockdowns over winter 2023 if cases once again peak, results in the Group still being cash flow generative for the forecast period. The Group's operating cash inflow at the end of Q3 FY22 was £71.3m and the closing cash position at the end of Q3 FY22 was £37.5m. There is only limited risk that Q4 will see much reduced levels of cash inflows. Even at the worst-case simulations, the forecasts indicate that the Group will be able to finance its working capital from its available cash balances and available revolving credit facilities of £95m will remain unused. Drawings, net of cash, would need to exceed 40% for the financial covenants to apply, even if this scenario was met the analysis shows enough headroom for the Group to not breach any financial covenant conditions. The borrowings due to group undertakings are repayable after more than 12 months from the date of signing these accounts.

2.3 New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the Company's financial statements.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in

foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

2.5 Financial assets

The Company classifies its financial assets in the following categories:

- amortised cost.
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

Only instruments classified as 'amortised' cost are held by the Company in the period.

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to Financial Statements (continued)

2.5 Financial assets (continued)

Financial asset at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

2.6 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due

2.7 Trade and other payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2.8 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.9 Intangible assets

Intangible assets that are acquired are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful life of licences is 7-10 years.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income within administrative expenses.

Notes to Financial Statements (continued)

2.9 Intangible assets (continued)

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale; and
- Its intention to complete and its ability and intention to use or sell the asset; and
- How the asset will generate future economic benefits; and
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and less accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Their estimated useful lives are as follows:

- Plant and machinery 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the average price for the year.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Revenue

Revenue arises mainly from contract with customers to supply them with goods and the right to distribute the goods. The Company operates various distribution models described further below.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Notes to Financial Statements (continued)

2.14 Revenue (continued)

Supply of good and license to distribute

- **Consignment, Export and Profit Share sales**
The Company has the responsibility to provide and supply goods to the customer. The Company also provides a fully paid up non-exclusive and non-transferable licence to the customer for the sole purpose of enabling the customer to provide the Company with distribution services.
- **Vendor distribution sales**
The Company has the responsibility to provide and supply goods to the customer for a temporary period for a maximum of up to 2 years. This temporary period is the period between when the Company has purchased the brand license which gives the Company the right to market, exploit and sell pharmaceutical products in certain territories facilitated by the third-party vendor and the date of market agreement approval.

Other revenue

Other revenue comprises Royalty income, the Company provides an annual license to a licensee in relation to the distribution of specific products.

	Supply of good and license to distribute	Other revenue
Performance obligations	One bundled performance obligation exists for the Company to provide the customer with a license to distribute goods, and the goods to be distributed.	One performance obligation exists for the Company to provide the licensee with the right to use the trademark license service.
Transaction price and its allocation	<p>The products provided to the customer have a fixed standalone price.</p> <p>The transaction price also includes a variable element:</p> <ul style="list-style-type: none"> • For Consignment Sales, Export Sales and Vendor Sales, the customer is entitled to discounts and the right to return products. • For Profit Share sales, the Company is entitled to 50% of the customer's profit on their sale of goods to an end customer. <p>The Company estimate its variable revenue based on the expected value method using either historic data or actual sales reports. The amount of revenue recognised is constrained to an amount that will not result in a material reversal of revenue. The Company applied its judgment to determine the amount of revenue to constrained is zero as at 31 March 2021 (2020: None)</p> <p>The transaction price does not include a significant finance component.</p> <p>The transaction price is allocated fully to the one performance obligation.</p>	<p>A fixed annual transaction price.</p> <p>The transaction price is allocated fully to the one performance obligation.</p> <p>The transaction price does not include a significant finance component.</p>
Recognising Revenue when (or as) the entity satisfies a performance obligation	<p>The Company transfers control of the performance obligation at the point in time when:</p> <ul style="list-style-type: none"> • For Consignment sales, the customer sells the goods on to an end customer. • For Export sales, the goods are delivered to the customer's named place on shipment date per Inco terms. • For Profit Share sales, the goods are delivered to the customer's named place on shipment date per Inco terms. <p>For Vendor distribution sales, the customer sells the goods on to an end customer.</p>	The Company transfers the right to use the license at the beginning of each month. Revenue is recognised at this point in time.

Notes to Financial Statements (continued)

2.15 Finance income / (cost)

Interest income/(cost) is recognised using the effective interest rate method. In calculating interest income/(cost), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

2.16 Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss, i.e., either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss

3 Critical accounting estimates and judgements

There are no critical accounting estimates or judgements used in the preparation of these financial statements.

Notes to Financial Statements (continued)

4 First-time adoption of FRS 101

These financial statements, for the year ended 31 March 2021, are the first the Company has prepared in accordance with FRS 101. For periods up to and including the period ended 31 March 2020, the Company prepared its financial statements in accordance with FRS 102.

Accordingly, the Company has prepared financial statements that comply with FRS 101 applicable as at 31 March 2021, together with the comparative period data for the period ended 31 March 2020 as described in the summary of significant accounting policies.

The date of transition to FRS 101 for the Company is 1 April 2019. The Company has taken an exemption available under FRS 101 to not present a balance sheet at the date of transition.

In transition to FRS 101, the Company applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

In transition to FRS 101 from FRS 102, the Company has made no measurement and recognition adjustments.

5 Revenue

The turnover and profit before taxation are attributable to the one principal activity of the Company. All the turnover of the Company has been generated within the United Kingdom.

6 Administrative expenses

	2021 £000	2020 £000
<i>Included in operating profit are the following:</i>		
Amortisation of intangible assets	1,768	17
Depreciation of tangible fixed assets	-	-
Foreign exchange (gain)	(2)	-
<i>Auditors' remuneration</i>		
Audit of financial statements	9	9

Auditor's remuneration costs for services provided to the Company were borne entirely by Atnahs Pharma UK Limited, the immediate parent company.

7 Staff numbers and costs

During the year, there were no employees and therefore no staff costs.

The Directors are also Directors of Atnahs Pharma UK Limited, the immediate parent company. During the year the Directors received emoluments through Atnahs Pharma UK Limited, but it is not practicable to allocate this between their services as Directors of Atnahs Pharma UK Limited and other companies within the group. The Directors' work is spread across the companies and it can be expected that typically within any given period between 0-5 per cent of their time would be allocated to the Company. Details of emoluments received by the Directors for their services to the group are disclosed in the accounts of Atnahs Pharma UK Limited.

8 Finance income

	2021 £000	2020 £000
Bank interest	34	-
Foreign exchange gain	3	49
	37	49

Notes to Financial Statements (continued)**9 Taxation***Total tax expense recognised in the profit and loss account*

	2021 £000	2020 £000
UK Corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	7
Total current tax	-	7
Deferred Tax		
Origination and reversal of timing differences	183	(16)
Adjustments in respect of prior periods	21	(4)
Effect of rate change	204	14
Total deferred tax charge	204	(6)
Total tax on profit on ordinary activities	204	1

Factors affecting future current and total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective April 1, 2020) was substantively enacted on September 6, 2016. This was reversed and the reinstatement of the 19% rate was substantively enacted on March 17, 2020. In the March 3, 2021 Budget, it was announced that the UK tax rate will increase to 25% from April 1, 2023. This will have a consequential effect on the Company's future tax charge. If this rate change has been substantively enacted at the current balance sheet date, the increase in the associated deferred tax liability would not be material.

Reconciliation of effective tax rate

The Company's tax charge for the period is higher than (2020: lower than), the average standard rate of corporation tax for the year in the UK of 19% (2020: 19%). The explanation is below:

	2021 £000	2020 £000
Profit for the period before taxation	5,365	7,768
Tax using the UK corporation tax rate of 19%	1,019	1,476
Effects of:		
Group relief (claimed)	(969)	(1,493)
Fixed assets differences	133	-
Adjustment to tax charge in respect of the previous periods	21	3
Reduction in tax rate on deferred tax balances	-	15
Total tax expense included in the profit and loss	204	1

Notes to Financial Statements (continued)**10 Intangible assets**

	Licenses £000	Development Costs £000	Total £000
Cost			
Balance at 1 April 2020	1,768	1,710	3,478
Additions	700	806	1,506
Disposals	-	-	-
Balance at 31 March 2021	2,468	2,516	4,984
Amortisation			
Balance at 1 April 2020	1,768	-	1,768
Amortisation for the period	-	-	-
Balance at 31 March 2021	1,768	-	1,768
Net book value			
At 31 March 2021	700	2,516	3,216
At 31 March 2020	-	1,710	1,710

Capitalised development costs are expected to be amortised from the moment the corresponding future economic benefits will arise, which is considered to be when the assets are brought into use and related initial sales made.

11 Tangible fixed assets

	Plant & Machinery £000
Cost	
Balance at 1 April 2020	162
Additions	249
Disposals	-
Balance at 31 March 2021	411
Depreciation	
Balance at 1 April 2020	-
Charge for the year	-
Disposals	-
Balance at 31 March 2021	-
Net book value	
At 31 March 2021	411
At 31 March 2020	162

Assets within Plant and Machinery of £411,336 (2020: £161,812) are not depreciated as they are not available for use.

12 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	1,800	3,001
Amounts owed by group undertakings	17,977	17,662
Prepayments and accrued income	2	13
	19,779	20,676

Notes to Financial Statements (continued)**13 Inventories**

	2021 £000	2020 £000
Finished goods	808	431
	808	431

14 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade payables	138	119
Amounts owed to group undertakings		3,453
Accruals and deferred income	169	547
Deferred tax liability	326	123
Other taxes and social security	397	716
	1,030	4,958

Deferred tax liabilities of £326,530 (2020: £122,729) are attributable to accelerated capital allowances.

15 Share Capital

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
12,004 ordinary shares of £0.01 each	12	12

16 Related Party Transactions

The Company has taken advantage of the exemption available under FRS101, which exempts entities from the requirement to disclose related party transactions with wholly owned group companies.

During the year, the Company made sales to their distributor Waymade Plc, who share common shareholders, of £10,708,063 (2020: £16,507,850) and incurred a distribution fee of £364,733 (2020: £457,841) on these sales. At the year-end, the Company was owed £1,799,553 (2020: £3,001,040) by Waymade Plc that is included within trade debtors. The Company owed £64,286 (2020: £100,729) to Waymade Plc at the year-end that is included within trade creditors.

17 Ultimate controlling party

The immediate parent undertaking is Atnahs Pharma UK Limited, a company incorporated in England and Wales.

Pharmanovia Holdco Limited (Previously Antigua Holdco Limited), a Company incorporated in England and Wales, is the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2021. The consolidated financial statements of Pharmanovia Holdco Limited are available from Companies House.

The ultimate parent undertaking is Triton Investors SCSp, a Company incorporated in Luxembourg.

There is no ultimate controlling party.