

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31st March 2023

for

Dr Reddy's Laboratories (UK) Limited

Contents of the Financial Statements
for the year ended 31st March 2023

	Page
Company Information	1
Strategic Report	2
Report of the Directors	6
Report of the Independent Auditors	8
Statement of Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15

Dr Reddy's Laboratories (UK) Limited

Company Information
for the year ended 31st March 2023

DIRECTORS:

K S Reddy
V N Mannam
P Aghanian
M Yassar

SECRETARY:

A K Baheti

REGISTERED OFFICE:

410 Cambridge Science Park
Milton Road
Cambridge
Cambridgeshire
CB4 0PE

REGISTERED NUMBER:

01729064 (England and Wales)

AUDITORS:

Sadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

BANKERS:

Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

Strategic Report
for the year ended 31st March 2023

The directors present their strategic report for the year ended 31st March 2023.

REVIEW OF BUSINESS

The key financial highlights are as follows:

				2023	2022	2021	2020
	£	£	£	£			
Turnover				49,058,352	40,293,293	38,892,768	36,748,791
Turnover growth				21.8%	3.6%	5.8%	37.8%
Profit before tax				6,499,304	2,066,563	3,060,487	4,260,772
Profit before tax margin				13.2%	5.1%	7.9%	11.96%

The company continues to grow year on year in terms of turnover and commitment to service UK market needs in hospital and retail segment.

Business has performed with positive growth rate in our retail and hospital channels due to new product launches and commitment to hospital tender business.

In retail segment of the business, we continue our service commitment to our key customers via focusing on strengthening our supply chain, portfolio development and adding value with new product launches.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Financial instrument risk

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

Impact of pharmaceutical regulations

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

Price risk

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

Foreign exchange risk

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

Credit risk

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

Liquidity risk

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

Interest rate and cash flow risk

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

Strategic Report
for the year ended 31st March 2023

SECTION 172(1) STATEMENT

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

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

This s172(1) statement explains how the Dr. Reddy'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 others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

The s172(1) statement focuses on matters of strategic importance to Dr. Reddy's, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

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

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

The likely consequences of any decision in the long term

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

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

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

The interests of the company's employees

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

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

Strategic Report
for the year ended 31st March 2023

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

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

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

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

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

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

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

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

The need to act fairly as between members of the company

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

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

Principal decisions

We define principal decisions taken by the Board as those decisions in 2022/23 that are of a strategic nature and that are significant to any of our key stakeholder groups. As outlined in the FRC Guidance on the Strategic Report, we include decisions related to capital allocation and dividend policy.

REVIEW OF CLOSING POSITION

Overall, Dr Reddy's Laboratories (UK) Limited finds itself in a good financial position at the close of the 2022/23. Cash reserves of £700k were held at the year end which has increased from £559 k last year. The company continues to hold sufficient cash reserves. Overall sales have increased by 21.8%, and profit before tax has increased from 5.1% to 13.2% mainly on account of the increased sales.

These results are reflected in a healthy balance sheet showing Net Assets of £42.9m compared to £37.1m last year.

Strategic Report
for the year ended 31st March 2023

FUTURE DEVELOPMENTS

Considering complexity of geopolitical situation, post Brexit implications and short-term economic outlook for the UK - business environment remains uncertain with expected high pressure on costs and pricing.

Ongoing negotiation process regarding VPAS might impact future attractiveness of the UK market for new product launches.

The company will remain focused on commitment to service UK market needs and will maintain assessment of the risks.

The business has processes and mitigation plans in place to assure continuation of supply of the vital medicines and commitment to fulfil obligations to our key partners and customers in 2023/24.

ON BEHALF OF THE BOARD:

A K Baheti - Secretary

28th April 2023

Report of the Directors
for the year ended 31st March 2023

The directors present their report with the financial statements of the company for the year ended 31st March 2023.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2023.

FUTURE DEVELOPMENTS

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2022 to the date of this report.

K S Reddy
V N Mannam
P Aghanian
M Yassar

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Revenue maintenance

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

Principal risks and uncertainties

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

ENGAGEMENT WITH EMPLOYEES

These details have been provided in the company's section 172(1) statement which is included in the strategic report.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

These details have been provided in the company's section 172(1) statement which is included in the strategic report.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The company believes that timely disclosure and transparent accounting policies coupled with a strong board go a long way in maintaining good corporate governance, preserving all stakeholders' trust and maximizing long-term corporate value. The company's corporate governance framework is based on the following main principles:

- Ethical business conduct by the board, management and employees.
- Well-developed systems of internal controls.
- Compliance to applicable local and international laws and financial reporting.
- Protection and facilitation of all stakeholders' rights.
- Adequate, timely and accurate disclosure of all material operational and financial information to relevant stakeholders.

STREAMLINED ENERGY AND CARBON REPORTING

	2023	2022	Movement	Movement
	KwH	KwH	KwH	%
Electricity	52,379	94,264	(41,885)	(44)
Gas	2,886	76,806	(73,920)	(96)
Total	55,265	171,070	115,805	(68)

Reduction in utilities is mainly due to packaging operations closure.

Report of the Directors
for the year ended 31st March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

ON BEHALF OF THE BOARD:

A K Baheti - Secretary

28th April 2023

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

Opinion

We have audited the financial statements of Dr Reddy's Laboratories (UK) Limited (the 'company') for the year ended 31st March 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the pharmaceutical industry;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, UK taxation legislation, and data protection, anti-bribery, employment, environmental, and health and safety legislation, along with industry specific regulations and requirements such as compliance with regulations set out by the Department of Health and the Medicines and Healthcare products Regulatory Agency (MHRA);
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

28th April 2023

**Statement of Comprehensive
Income
for the year ended 31st March 2023**

	Notes	2023 £	£	2022 £	£
TURNOVER	3		49,058,352		40,293,293
Cost of sales			<u>36,150,003</u>		<u>31,903,392</u>
GROSS PROFIT			12,908,349		8,389,901
Distribution costs		869,973		599,878	
Administrative expenses		<u>5,964,226</u>		<u>6,020,816</u>	
			<u>6,834,199</u>		<u>6,620,694</u>
OPERATING PROFIT	5		6,074,150		1,769,207
Interest receivable and similar income			<u>432,265</u>		<u>306,397</u>
			6,506,415		2,075,604
Interest payable and similar expenses	6		<u>7,111</u>		<u>9,041</u>
PROFIT BEFORE TAXATION			6,499,304		2,066,563
Tax on profit	7		<u>688,280</u>		<u>156,339</u>
PROFIT FOR THE FINANCIAL YEAR			5,811,024		1,910,224
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u>5,811,024</u>		<u>1,910,224</u>

The notes form part of these financial statements

Balance Sheet
31st March 2023

	Notes	2023 £	£	2022 £	£
FIXED ASSETS					
Intangible assets	8		420,654		550,823
Tangible assets	9		<u>112,707</u>		<u>103,664</u>
			533,361		654,487
CURRENT ASSETS					
Stocks	10	10,567,134		8,817,765	
Debtors	11	51,989,678		42,429,986	
Cash at bank and in hand		<u>700,257</u>		<u>559,225</u>	
		63,257,069		51,806,976	
CREDITORS					
Amounts falling due within one year	12	<u>20,895,295</u>		<u>15,393,312</u>	
NET CURRENT ASSETS			42,361,774		36,413,664
TOTAL ASSETS LESS CURRENT LIABILITIES			42,895,135		37,068,151
PROVISIONS FOR LIABILITIES	13		<u>28,177</u>		<u>12,217</u>
NET ASSETS			42,866,958		37,055,934
CAPITAL AND RESERVES					
Called up share capital	14		1,000		1,000
Other reserves	15		879,601		879,601
Retained earnings	15		<u>41,986,357</u>		<u>36,175,333</u>
SHAREHOLDERS' FUNDS			42,866,958		37,055,934

The financial statements were approved by the Board of Directors and authorised for issue on 28th April 2023 and were signed on its behalf by:

M Yassar - Director

Statement of Changes in Equity
for the year ended 31st March 2023

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1st April 2021	1,000	34,265,109	879,601	35,145,710
Changes in equity				
Total comprehensive income	-	1,910,224	-	1,910,224
Balance at 31st March 2022	1,000	36,175,333	879,601	37,055,934
Changes in equity				
Total comprehensive income	-	5,811,024	-	5,811,024
Balance at 31st March 2023	1,000	41,986,357	879,601	42,866,958

The notes form part of these financial statements

Notes to the Financial Statements
for the year ended 31st March 2023

1. STATUTORY INFORMATION

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

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

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirements of paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of paragraph 33.7.

Turnover

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

Intangible assets

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

An impairment loss has been recognised in the Statement of Comprehensive Income, following an assessment at the Balance Sheet date indicating the recoverable amount was less than its carrying value.

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

Patents

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

Tangible fixed assets

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

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

Stocks

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

Notes to the Financial Statements - continued
for the year ended 31st March 2023

2. ACCOUNTING POLICIES - continued

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

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

Research, regulatory and development cost

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

Foreign currencies

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

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

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

Stock based compensation

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

Regulatory and trade licence fees

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

Going concern

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

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

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

Notes to the Financial Statements - continued
for the year ended 31st March 2023

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2023 £	2022 £
United Kingdom	45,253,196	35,888,699
Europe and other countries	3,805,156	4,404,594
	<u>49,058,352</u>	<u>40,293,293</u>

4. EMPLOYEES AND DIRECTORS

	2023 £	2022 £
Wages and salaries	2,851,713	3,330,328
Social security costs	254,829	257,710
Other pension costs	336,760	249,964
	<u>3,443,302</u>	<u>3,838,002</u>

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

	2023	2022
Directors and administration	34	40
Production	<u>5</u>	<u>5</u>
	<u>39</u>	<u>45</u>

	2023 £	2022 £
Directors' remuneration	125,112	132,925
Directors' pension contributions to money purchase schemes	<u>21,645</u>	<u>8,417</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2023	2022
Money purchase schemes	<u>1</u>	<u>2</u>

Notes to the Financial Statements - continued
for the year ended 31st March 2023

5. OPERATING PROFIT

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

	2023	2022
	£	£
Hire of plant and machinery	958	1,824
Other operating leases	146,918	83,372
Depreciation - owned assets	9,061	6,241
Profit on disposal of fixed assets	-	(127,020)
Patents and licences amortisation	143,381	223,741
Auditors' remuneration	7,000	6,500
Auditors' remuneration for non audit work	12,240	3,000
Foreign exchange differences	(98,101)	(54,805)
Interest on loans to group undertakings	<u>(427,096)</u>	<u>(305,053)</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023	2022
	£	£
Interest on corporation tax	<u>7,111</u>	<u>9,041</u>

7. TAXATION

Analysis of the tax charge

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

	2023	2022
	£	£
Current tax:		
UK corporation tax	744,310	148,795
Prior year adjustment	<u>(71,990)</u>	<u>6,638</u>
Total current tax	672,320	155,433
Deferred taxation	<u>15,960</u>	<u>906</u>
Tax on profit	<u>688,280</u>	<u>156,339</u>

UK corporation tax has been charged at 19% (2022 - 19%).

Notes to the Financial Statements - continued
for the year ended 31st March 2023

7. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

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

	2023 £	2022 £
Profit before tax	<u>6,499,304</u>	<u>2,066,563</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%)	<u>1,234,868</u>	392,647
Effects of:		
Capital allowances in excess of depreciation	(2,782)	-
Adjustments to tax charge in respect of previous periods	(58,291)	-
Depreciation on non-qualifying assets	-	4,407
Stock-based compensation	3,223	14,066
Group relief claimed	(489,281)	(257,713)
Effect of change in deferred tax rate	543	2,932
Total tax charge	<u>688,280</u>	<u>156,339</u>

The Finance Bill 2021 contained provisions for increasing the main rate of UK corporation tax to 25% with effect from 1st April 2023. The bill was substantively enacted on 24th May 2021 and therefore the deferred tax charge in these financial statements takes the new rate into account.

8. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1st April 2022	1,610,703
Additions	182,994
Disposals	(414,908)
Reclassification/transfer	112,122
At 31st March 2023	<u>1,490,911</u>
AMORTISATION	
At 1st April 2022	1,059,880
Amortisation for year	143,381
Eliminated on disposal	(245,126)
Reclassification/transfer	112,122
At 31st March 2023	<u>1,070,257</u>
NET BOOK VALUE	
At 31st March 2023	<u>420,654</u>
At 31st March 2022	<u>550,823</u>

Notes to the Financial Statements - continued
for the year ended 31st March 2023

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Totals £
COST			
At 1st April 2022	111,062	235,896	346,958
Additions	48,799	-	48,799
Disposals	(30,695)	(1,009)	(31,704)
At 31st March 2023	<u>129,166</u>	<u>234,887</u>	<u>364,053</u>
DEPRECIATION			
At 1st April 2022	54,144	189,150	243,294
Charge for year	-	9,061	9,061
Eliminated on disposal	-	(1,009)	(1,009)
At 31st March 2023	<u>54,144</u>	<u>197,202</u>	<u>251,346</u>
NET BOOK VALUE			
At 31st March 2023	<u>75,022</u>	<u>37,685</u>	<u>112,707</u>
At 31st March 2022	<u>56,918</u>	<u>46,746</u>	<u>103,664</u>

10. STOCKS

	2023 £	2022 £
Finished goods	<u>10,567,134</u>	8,817,765

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade debtors	13,358,262	11,531,542
Amounts due from group undertakings	38,402,851	30,158,142
Amount due from ultimate parent company	-	13,275
Other debtors	-	171,661
Taxation	-	438,675
Prepayments and accrued income	228,565	116,691
	<u>51,989,678</u>	<u>42,429,986</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade creditors	2,514,635	2,127,896
Amount due to ultimate parent company	13,156,932	10,897,205
Amounts owed to group undertakings	382,264	272,409
Taxation	268,599	-
Social security and other taxes	1,225,273	47,663
Other creditors	156,038	169,776
Accrued expenses	3,158,167	1,844,976
Deferred income	33,387	33,387
	<u>20,895,295</u>	<u>15,393,312</u>

Notes to the Financial Statements - continued
for the year ended 31st March 2023

13. PROVISIONS FOR LIABILITIES

	2023 £	2022 £
Deferred tax		
Accelerated capital allowances	<u>28,177</u>	<u>12,217</u>
		Deferred tax
		£
Balance at 1st April 2022		12,217
Charge to Statement of Comprehensive Income during year		15,960
Balance at 31st March 2023		<u>28,177</u>

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023 £	2022 £
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

15. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1st April 2022	36,175,333	879,601	37,054,934
Profit for the year	5,811,024		5,811,024
At 31st March 2023	<u>41,986,357</u>	<u>879,601</u>	<u>42,865,958</u>

16. ULTIMATE PARENT COMPANY

The company's immediate parent company is Dr Reddy's Laboratories (EU) Limited, a company registered in England and Wales. The group financial statements are available to the public and may be obtained from Steanard Lane, Mirfield, West Yorkshire, WF14 8HZ.

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

17. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

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