COMPANY REGISTRATION NUMBER: 03305136

VERITON PHARMA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

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VERITON PHARMA LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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VERITON PHARMA LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	C. J. Grimes J. V. Patel
Registered office	Unit 16 Trade City Avro Way Brooklands Business Park Weybridge Surrey KT13 0YF
Auditor	BSG Valentine (UK) LLP Chartered Accountants & Statutory Auditor Lynton House 7 - 12 Tavistock Square London WC1H 9BQ

VERITON PHARMA LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Principal activities

Veriton Pharma Limited develops and sells a range of licensed and unlicensed medicinal products that improve the therapy available to patients with rare neurological and paediatric conditions. The company is based in the UK and has sales offices in the Middle East and Australia, these offices are operated through the company's subsidiaries.

Change of ownership

On 18 May 2020, the entirety of the share capital of the company's parent company, March Medical Limited, was acquired by SERB Ltd. On acquisition, as part of the group previously headed by March Medical Limited, the company became a member of the group headed by Stark International Topco SA, a company incorporated in Luxembourg.

Business review

The company is profitable and cash-generative and the directors are satisfied with the company's trading position and the profits for the year which are set out in the statement of comprehensive income on page 10.

The directors report a turnover of £16.2m for the year ended 31 December 2020 compared to a turnover of £16.7m for the year ended 31 December 2019.

Key performance indicators

The company's key financial performance indicators during the period were as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Turnover	£16.3m	£16.7m
Gross profit %	63%	63%
Profit after tax	£1.6m	£0.8m
Cash	£6.1m	£4.4m

The directors are satisfied with the performance of the company against these key performance indicators.

Future developments

The company plans to enhance its unique position within critical markets by:

- expanding the geographical reach of its existing portfolio by selling its products into new markets, leveraging the relationships and distribution networks of the wider group wherever possible;
- seeking to develop existing unlicensed products into pharmaceuticals suitable to pursue a Marketing Authorisation Application, wherever this is beneficial to the company or its customers;
- continuing to develop new products to better serve the needs of the company's customers wherever commercially viable opportunities exist to do so.

Principal risks and uncertainties

Regulatory change

The company's business is mainly regulated by healthcare regulators in the territories in which it operates, and any changes in regulatory requirements could impact the company's activities. To reduce this risk, the directors closely monitor changes to legislation to ensure that potential impacts are fully understood and managed.

The company also monitors a number of non-financial key performance indicators (KPIs) to ensure that the company maintains high product quality and customer service levels. These non-financial KPIs include quality complaints, product quality, delivery performance, pharmacovigilance and medical information enquiries.

Coronavirus (COVID-19)

The COVID-19 pandemic has caused, and continues to cause, significant macro-economic uncertainty around the world. To the date of signing these financial statements, the company has successfully mitigated the potential risks arising from this uncertainty and has not experienced a significant negative impact on performance. As the UK continues to have success with the vaccination program and begins to unlock, the directors believe there is good reason for continued optimism.

In the UK, the company, along with its 3rd party manufacturing and logistics partners and the majority of its suppliers and customers, is covered by the UK government's 'key worker' status exemptions. This has protected the company somewhat from the worst impacts of the pandemic. There has continued to be a significant demand for the company's products, and the company has successfully avoided or mitigated the logistical challenges in servicing this demand arising from the national lockdowns. The company's workforce was successfully transitioned to remote working arrangements whenever required with minimal interruption, and key supply and distribution channels were maintained.

The company is not dependent on external financing or group financing and so is not at risk from any liquidity issues arising within the debt market. Customers continue to pay at expected rates, and there have been no significant credit risks arising from the effects of the pandemic.

These factors have enabled the company to maintain its strong financial position and it has therefore not been necessary to take advantage of any of the business support measures announced by the government in response to the pandemic.

Key financial risks

The directors consider that the main financial risks faced by the company relate to:

(a) Price Risk

The company is exposed to price inflation for raw materials, products and services. This is mitigated through putting in place contracts with key suppliers and manufacturers.

(b) Credit Risk

To mitigate credit risk, the company performs appropriate credit checks on potential customers and monitor sales to customers to ensure that credit limits are not exceeded.

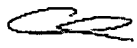
(c) Liquidity and Cash Flow Risk

The company has in place robust budgeting and reporting procedures, including the regular monitoring of cash balances and cash flow forecasts. These procedures allow the directors to understand and manage all aspects of the business, including cash flows, to ensure that sufficient resources are available to meet the company's financial obligations.

(d) Foreign Exchange Risk

The company operates in many different countries and so is exposed to fluctuations in the relative values of those countries' currencies. To mitigate the effects of this, the company tries wherever possible to contract in currencies where it can match its assets with liabilities in the same currency.

This report was approved by the board of directors on 20th April 2021 and signed on behalf of the board by:



C. J. Grimes
Director

Registered office:
Unit 16 Trade City
Avro Way Brooklands Business Park
Weybridge
Surrey
KT13 0YF

VERITON PHARMA LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

Principal activities

The principal activity of the business continues to be the development and sale of licensed and unlicensed medicines.

The business review, principal risks and uncertainties, future developments and other business reporting is detailed in the strategic report as required by the Companies Act 2006 S414C (11).

Directors

The directors who served the company during the year were as follows:

C. J. Grimes	(Resigned 18 May 2020, Re-appointed 3 November 2020)
J. A. Urbain	(Appointed 18 May 2020, Resigned 22 February 2021)
Dr H. M. T Aiken	(Resigned 18 May 2020)
Dr S. P. Jones	(Resigned 18 May 2020)
C. I. March	(Resigned 18 May 2020)
Dr G. A. March	(Resigned 18 May 2020)
J. A. Saiban	(Resigned 18 May 2020)
T. A. Wallis	(Resigned 18 May 2020)
R. W. Wild	(Resigned 18 May 2020)

On 22 February 2021, J. V. Patel was appointed as a director of the company.

Dividends

The directors do not recommend the payment of a dividend.

Financial instruments

The directors do not consider that a detailed description of the use of financial instruments is necessary for an assessment of the company's financial position and result for the year.

Research and development

Pursuant to its principal activity, the company continues to undertake research and development in the field of medical pharmaceuticals.

Auditors

BSG Valentine (UK) LLP were appointed as the company's auditor during the period.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

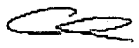
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 20th April 2021 and signed on behalf of the board by:



C. J. Grimes
Director

Registered office:
Unit 16 Trade City
Avro Way Brooklands Business Park
Weybridge
Surrey
KT13 0YF

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERITON PHARMA LIMITED

YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of Veriton Pharma Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified and assessed the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. Our procedures included enquiry of management and performing analytical review procedures to identify any unusual relationships that may indicate a material misstatement. We tested the appropriateness of journals to address the risk of fraud through management override of controls. We also performed appropriate testing in respect of the risk of fraud in turnover recognition by selecting an appropriate sample of sales transactions for directional testing, through review of margins, sales cut off procedures, and by performing existence testing on trade debtors. We confirmed that there were no issues regarding the company's registration with the Medicines and Healthcare products Regulatory Authority ("MHRA"). Relevant laws and regulations, together with potential fraud risks, were communicated to the audit engagement team at the planning stage to ensure they remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 auditor's report.

Use of our report

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

BSG Valentine UK LLP

Luke Richardson BSc FCA (Senior Statutory Auditor)

For and on behalf of
BSG Valentine (UK) LLP
Chartered Accountants & Statutory Auditor
Lynton House
7 - 12 Tavistock Square
London
WC1H 9BQ

21 April 2021.

VERITON PHARMA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
TURNOVER	**4**	16,281,211	16,692,941
Cost of sales		(6,103,842)	(6,137,437)
GROSS PROFIT		10,177,369	10,555,504
Administrative expenses		(8,793,108)	(9,660,254)
OPERATING PROFIT	**5**	1,384,261	895,250
Other interest receivable and similar income	**9**	10,841	19,188
PROFIT BEFORE TAXATION		1,395,102	914,438
Tax on profit	**10**	245,043	(70,059)
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		1,640,145	844,379

All the activities of the company are from continuing operations.

The notes on pages 13 to 25 form part of these financial statements.

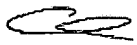
VERITON PHARMA LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Note	2020 £	2020 £	2019 £	2019 £
FIXED ASSETS					
Tangible assets	11		95,928		168,547
Investments	12		71,260		71,260
			167,188		239,807
CURRENT ASSETS					
Stocks	13	1,807,629		1,867,700	
Debtors	14	4,880,416		4,584,075	
Cash at bank and in hand		6,113,944		4,384,572	
		12,801,989		10,836,347	
CREDITORS: Amounts falling due within one year	15	(1,999,340)		(2,690,812)	
NET CURRENT ASSETS			10,802,649		8,145,535
TOTAL ASSETS LESS CURRENT LIABILITIES			10,969,837		8,385,342
PROVISIONS	16		(58,000)		(58,000)
NET ASSETS			10,911,837		8,327,342
CAPITAL AND RESERVES					
Called up share capital	20		109		109
Capital contribution reserve	21		3,518,586		2,574,236
Profit and loss account	21		7,393,142		5,752,997
SHAREHOLDERS FUNDS			10,911,837		8,327,342

These financial statements were approved by the board of directors and authorised for issue on 20th April 2021, and are signed on behalf of the board by:



C. J. Grimes
Director

Company registration number: 03305136

The notes on pages 13 to 25 form part of these financial statements.

VERITON PHARMA LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total £
AT 1 JANUARY 2019	109	83,603	4,908,618	4,992,330
Profit for the year			844,379	844,379
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	844,379	844,379
Recognition of share-based payments charge	–	2,490,633	–	2,490,633
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	–	2,490,633	–	2,490,633
AT 31 DECEMBER 2019	109	2,574,236	5,752,997	8,327,342
Profit for the year			1,640,145	1,640,145
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	1,640,145	1,640,145
Recognition of share-based payments charge	–	944,350	–	944,350
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	–	944,350	–	944,350
AT 31 DECEMBER 2020	109	3,518,586	7,393,142	10,911,837

The notes on pages 13 to 25 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 16 Trade City, Avro Way Brooklands Business Park, Weybridge, KT13 0YF, Surrey.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The directors, having considered the current and projected performance and position of the company, have concluded that the company has more than adequate resources to continue operating as a going concern for a period of at least 12 months from the signing of these financial statements. These financial statements are therefore produced on that basis.

The directors reached this conclusion having considered the impact of the ongoing COVID-19 pandemic, further details of which consideration are included in the strategic report, and of Brexit. To date, neither event has caused the business any material negative impacts to its performance as a result of steps taken by the company to successfully mitigate any risks arising.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of SERB Ltd as at 31 December 2020 which can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- No cash flow statement has been presented for the company.
- No disclosure has been given for the aggregate remuneration of key management personnel.

Exemption from preparing consolidated financial statements

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Deferred tax

The directors have made a judgement in recognising a deferred tax asset for trading losses carried forward. This is based on board approved profit forecasts that evidence future recoverability of the asset.

Key sources of estimation uncertainty

The key assumptions and other sources of estimation uncertainty in the preparation of these financial statements are as follows:

- *Stock provision*

When calculating the stock provision, management considers the expiry dates and condition of the stock, and applies assumptions around anticipated saleability of finished goods.

- *Debtors impairment*

Management makes an estimate of the recoverable value of trade and other debtors. When assessing trade and other debtors' impairment, management considers factors including the current credit rating of the debtors, the ageing profile of the debtors and historical experience.

- *Share based compensation*

Under the fair value recognition provisions, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognised as an expense over the vesting period. Determining the fair value of the share-based awards at the grant date requires significant judgement and the use of estimates, particularly surrounding Black Scholes valuation assumptions such as share price volatility and expected option term.

- *Useful economic lives of assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. Accounting policies *(continued)*

Turnover recognition

Turnover represents the sale of pharmaceutical products.

Turnover is measured at the full list price of products sold, net of returns, discounts and sales incentives given, commissions and other sales incentives based on the sales price, net of Value Added Tax.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of turnover can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Royalties

Royalty payments represent amounts payable to collaborative partners and are charged to administrative expenses as incurred

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

3. Accounting policies *(continued)*

Dilapidation provision

Where the company has a legal obligation, a dilapidation provision is created on inception of a lease, or when a significant change to a leased property occurs which must be reversed at the end of the lease. These provisions are a best estimate of the cost required to return leased properties to their required condition upon termination of the lease. Where the obligation arises from 'wear and tear,' the provision is accrued as the 'wear and tear' occurs.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Short leasehold property	-	Depreciated over the remaining life of the lease
Plant and machinery	-	5 years straight line
Fixtures and fittings	-	10 years straight line
Office equipment	-	3 years straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

The company works on a FEFO basis, First Expired First Out, meaning the older stock is shipped first.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

3. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of an asset's cost. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

All equity instruments, regardless of significance, and other financial assets that are individually significant, are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Share-based payments

Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. This is based upon the company's estimate of the shares or share options that will eventually vest which considers all vesting conditions and non-market performance conditions, with adjustments being made where new information indicates the number of shares or share options expected to vest differs from previous estimates.

Fair value is determined using an appropriate pricing model. All market conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or share options. As long as all other vesting conditions are satisfied, no adjustment is made irrespective of whether market or non-vesting conditions are met.

3. Accounting policies *(continued)*

Share-based payments *(continued)*

Where the terms of an equity-settled transaction are modified, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the fair value of the transaction, as measured at the date of modification.

Where an equity-settled transaction is cancelled or settled, it is treated as if it had vested on the date of cancellation or settlement, and any expense not yet recognised in profit or loss is expensed immediately.

4. Turnover

Turnover arises from:

	2020	2019
	£	£
Sale of goods	16,281,211	16,692,941

Turnover relates to the principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2020	2019
	£	£
United Kingdom	8,330,056	7,887,126
Middle East	5,886,813	7,001,882
Europe	1,639,273	1,286,020
Rest of the World	425,069	517,913
	16,281,211	16,692,941

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020	2019
	£	£
Depreciation of tangible assets	86,171	105,883
Impairment of trade debtors	52	(16,769)
Equity-settled share-based payments expense	944,350	2,490,633
Foreign exchange differences	114,087	114,482
Operating lease payments	85,941	87,063
Research & development charged as an expense	1,709,369	809,627

6. Auditor's remuneration

	2020	2019
	£	£
Fees payable for the audit of the financial statements	29,263	27,000
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	500	3,500
Other non-audit services	1,500	1,500
	2,000	5,000

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020	2019
	No.	No.
Production staff	20	20
Distribution staff	7	6
Administrative staff	6	5
Management staff	2	5
	35	36

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020	2019
	£	£
Wages and salaries	3,781,036	5,412,961
Social security costs	402,328	405,427
Other pension costs	95,710	90,085
	4,279,074	5,908,473

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020	2019
	£	£
Remuneration	697,189	1,390,714
Company contributions to defined contribution pension plans	12,667	26,676
	709,856	1,417,390

Remuneration of the highest paid director in respect of qualifying services:

	2020	2019
	£	£
Aggregate remuneration	185,700	348,788

During the year retirement benefits were accruing to 3 directors (2019: 3) in respect of defined contribution pension schemes.

The number of directors exercising share options during the year was 4 (2019: 1).

9. Other interest receivable and similar income

	2020	2019
	£	£
Interest on cash and cash equivalents	10,841	19,188

10. Tax on profit

Major components of tax (income)/expense

	2020 £	2019 £
Current tax:		
UK current tax expense	–	451,750
Adjustments in respect of prior periods	(37,859)	28,892
Total current tax	(37,859)	480,642
Deferred tax:		
Origination and reversal of timing differences	(207,184)	(436,955)
Adjustments in respect of prior periods	–	26,372
Total deferred tax	(207,184)	(410,583)
Tax on profit	(245,043)	70,059

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £	2019 £
Profit on ordinary activities before taxation	1,395,102	914,438
Profit on ordinary activities by rate of tax	265,070	173,743
Adjustment to tax charge in respect of prior periods	(37,859)	28,892
Effect of expenses not deductible for tax purposes	120	(1,922)
Effect of capital allowances and depreciation	12,518	1,081
Adjustment in respect of research and development tax credit leading to a decrease in the tax charge	(422,214)	(159,549)
Adjustment to tax charge in respect of prior periods- deferred tax	426,427	26,372
Adjust deferred tax to average rate of 19%	–	51,406
Group relief claim	–	(49,964)
Adjustment in respect of exercised share options	(489,105)	–
Tax on profit	(245,043)	70,059

Factors that may affect future tax income

The company has estimated tax losses of £3,334,797 (2019: £nil), available to be offset against relevant future taxable profits. A deferred tax asset has been recognised in respect of these losses.

11. Tangible assets

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 January 2020	236,425	233,921	81,522	170,659	722,527
Additions	–	2,045	–	11,524	13,569
At 31 December 2020	236,425	235,966	81,522	182,183	736,096
Depreciation					
At 1 January 2020	212,994	139,632	69,554	131,800	553,980
Charge for the year	9,074	47,194	2,006	27,914	86,188
At 31 December 2020	222,068	186,826	71,560	159,714	640,168
Carrying amount					
At 31 December 2020	14,357	49,140	9,962	22,469	95,928
At 31 December 2019	23,431	94,289	11,968	38,859	168,547

12. Investments

	Shares in group undertakings £
Cost	
At 1 January 2020 and 31 December 2020	71,260
Impairment	
At 1 January 2020 and 31 December 2020	–
Carrying amount	
At 31 December 2020	71,260
At 31 December 2019	71,260

12. Investments *(continued)*

Subsidiary undertakings

The following are subsidiary undertakings of the company:

Special Products Limited is incorporated in the UK and is 100% owned. The registered address is Hyde Park House, 5 Manfred Road, London, SW15 2RS. This is a non-trading entity.

Veriton Pharma FZCO is incorporated in the UAE and is 80% owned. The registered address is Dubai Airport Free Zone, Dubai, UAE. The principal activity is a sales office.

Veriton Pharma PTY Limited is incorporated in Australia and is 100% owned. The registered address is Level 1 68 Alfred Street, Milsons Point, NSW 2016. The principal activity is a sales office.

The above undertakings, along with the company, are included in the group consolidated financial statements prepared by SERB Ltd.

13. Stocks

	2020	2019
	£	£
Raw materials and consumables	382,415	589,153
Finished goods and goods for resale	1,425,214	1,278,547
	1,807,629	1,867,700

14. Debtors

	2020	2019
	£	£
Trade debtors	3,531,533	3,043,309
Amounts owed by group undertakings	268,963	274,283
Deferred tax asset	624,350	417,166
Prepayments and accrued income	178,499	204,412
Corporation tax repayable	887	–
Other debtors	276,184	644,905
	4,880,416	4,584,075

15. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	697,739	1,216,954
Amounts owed to group undertakings	230,117	227,010
Accruals and deferred income	931,295	1,091,281
Corporation tax	–	114,622
Social security and other taxes	140,189	40,945
	1,999,340	2,690,812

16. Provisions

	Dilapidation accrual £
At 1 January 2020 and 31 December 2020	58,000

The provision relates to the cost expected to be payable on restoring the company's offices to their original condition upon departure.

17. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020 £	2019 £
Included in debtors (note 14)	624,350	417,166

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020 £	2019 £
Accelerated capital allowances	(9,261)	(20,383)
Short term timing differences	633,611	437,549
	624,350	417,166

The directors are of the opinion that it is probable that there will be sufficient future taxable profits to enable recovery of the deferred tax assets, and as such have recognised the full amount. The net reversal of the deferred tax asset that is expected to take place during the year beginning after the reporting period is £633,611.

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £83,043 (2019: £63,409).

19. Share-based payments

In previous years the company's parent company, March Medical Limited, granted share options under the March Medical Limited Share Option Scheme to certain key employees of the company as compensation for their employment by the company. The options comprised Enterprise Management Options (EMI Options), which are tax approved, and other unapproved options. Under the scheme, options could only be exercised by the option holder upon meeting certain performance targets

As at the start of the year, the following options were in issue:

- S Jones - 51,621 B class shares
- R Wild - 17,207 B class shares
- C Grimes - 34,414 B class shares
- H Aiken - 34,414 B class shares

All options vested upon acquisition of March Medical Limited by SERB Ltd, and were exercised during the year for £98,536 in return for the subsequent issue of 96,613 B class shares in March Medical Limited. No options remain outstanding as at 31 December 2020.

The share options were valued using the Black Scholes model, and recognised over the vesting period. A charge of £944,350 (2019: £2,490,633) was recognised during the year in both Administrative expenses and as an increase to the Capital contribution reserve.

The total expense recognised in profit or loss for the year is as follows:

	2020	2019
	£	£
Equity-settled share-based payments	944,350	2,490,633

20. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.0001 each	1,090,000	109	1,090,000	109

21. Reserves

The company's capital and reserves are as follows:

Called up share capital
Called up share capital represents the nominal value of the shares issued.

Capital contributions reserve
The capital contribution reserve represents the fair value of share options issued by the company's parent company on behalf of the company's employees.

Profit and loss account
The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Not later than 1 year	88,840	88,840
Later than 1 year and not later than 5 years	59,224	148,056
	148,064	236,896

23. Pension commitments

The company operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £14,622 (2019: £14,849) were payable to the fund at the reporting date and are included in other creditors.

24. Contingencies

During the year the company became party to a cross guarantee in respect of sums due by fellow group members to BNP Paribas Forits SA (Belgium). The total relevant group payable, at the reporting date, is €238,500,000, the guarantee includes security by means of a fixed and floating charge over the company's assets and includes a negative pledge.

25. Directors' advances, credits and guarantees

During the year, upon sale of the company, a loan payable to Dr G A March was repaid. The maximum amount of the loan during the year was £435,490 (2019: £331,352) and the balance at the end of the year was £nil (2019: £331,352). Interest was charged on the loan at the official HMRC rate during the period it was outstanding, and totalled £4,850 for the year (2019: £1,241).

26. Related party transactions

The company has taken advantage of the exemption available within FRS 102 from disclosing transactions with wholly owned members of its group.

Veriton Pharma FZCO is an 80% owned subsidiary of Veriton Pharma Limited. The subsidiary charged £747,400 (2019: £769,000) during the year in respect of sales commissions, and the company paid costs on behalf of the subsidiary totalling £548,503 (2019: £726,009) during the year. At the end of the year, an amount of £185,028 (2019: £220,347) was payable by the company to the subsidiary.

27. Controlling party

The company's immediate parent company is March Medical Limited.

SERB Ltd, a company registered in England and Wales (with registered number 08274910) is the parent undertaking of the smallest and largest group of which the company is a member and for which consolidated group financial statements, incorporating the company are prepared. Consolidated group financial statements of SERB Ltd can be obtained from Companies House.

The company's ultimate parent company is Stark International Topco SA, a company registered in Luxembourg.