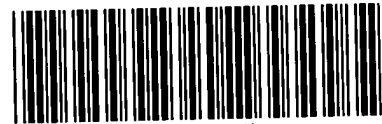


Company Registration No: 01198007 (England and Wales)

FERRING PHARMACEUTICALS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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FERRING PHARMACEUTICALS LIMITED

COMPANY INFORMATION

Directors	Mr M Pettigrew Mr G Pluntz
Company secretary	Mr R Creteigny
Company number	01198007
Registered office	Drayton Hall Church Road West Drayton Middlesex UB7 7PS United Kingdom
Auditor	Deloitte LLP Abbots House Abbey Street Reading Berkshire RG1 3BD United Kingdom

FERRING PHARMACEUTICALS LIMITED

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FERRING PHARMACEUTICALS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report and financial statements for the year ended 31 December 2019.

Principal activities and strategic direction

The company is part of the Ferring Group which is a biopharmaceutical company dedicated to the development of innovative treatments that make a real difference in people's lives all over the world. The research and development programmes of the group focus on the internal development of first-in-class therapeutic peptides and proteins, together with collaborations with external partners – this provides the basis for introducing new products and drug delivery systems. In the UK, the company focuses on sales & marketing activities with products in the gastroenterology, urology, reproductive health, men's health and endocrinology therapy areas. The success of both current and planned products within these therapy areas lies at the core of the company's strategic direction, within a framework of values called the Ferring Philosophy which places people at the heart of what we do.

Review of the business

The company continues to be successful in increasing access to its products. 2019 saw an improvement in sales volumes compared with the previous year resulting in an increase in revenue to £64.8m (2018: £60.5m). Operating expenses continue to be managed within the parameters set by the Group to support the future needs of the business. Profit before taxation was £2.9m (2018: £1.8m).

Principal risks and uncertainties

The company operates in a relatively highly regulated industry due to the nature of its products. There is a cost associated with complying with pharmaceutical regulations and this compliance cost is at risk of increasing depending on the regulations in place at any point in time.

The company's most important customers are NHS organisations and healthcare practitioners (including some operating in private fertility clinics). There is a risk that changes to the company's customer base could affect the prescribing of its products and so it is important that the company continues to develop its customer relationships and product portfolio.

Given that the company supplies pharmaceutical medicines, there is a risk that its products may experience adverse drug reports or supply problems (due to the very high specifications to which they are manufactured). If these risks materialise they could significantly affect turnover.

The outcome of Brexit as the UK leaves the EU presents uncertainties and the implications are unclear, however the company has a Brexit plan in place looking at stock and delivery routes.

In March 2020, the WHO declared a public health emergency of international concern related to a novel coronavirus disease COVID-19 and subsequently raised their threat to a pandemic. As a result of this declaration, regions around the world have experienced significant social and economic disruption which could impact our business and the business of our customers. The risks created by the disruption have been considered by the board and will continue to be monitored as conditions develop and the impact that the situation may have on the company's results or financial position in the immediate future. Management has revised its forecast in light of the pandemic and trading performance has not been adversely impacted. The board does not currently believe there will be a material adverse impact on the company's results.

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are credit risk, liquidity risk, currency risk, interest rate risk and price risk.

Due to the nature of the company's business and the assets and liabilities contained within its balance sheet the only financial risks the directors consider relevant to the company are:

- Credit risk: credit control procedures are considered sufficient to recover trade debtors which are due from reputable companies and the National Health Service. On a regular basis, surplus funds are transferred to the group cash pool and are managed by the group's central treasury function.

FERRING PHARMACEUTICALS LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management (continued)

- Liquidity risk: the risk is minimised as surplus funds are transferred to or from the group cash pool.
- Currency risk: this is negligible as it is the group policy to invoice in the debtor company's home currency.
- Interest rate risk: this is negligible as the company has no borrowings.
- Price risk: sales prices are known with some certainty due to the operation of the 2019 Voluntary Scheme for Branded Medicines Pricing and Access, in which the company participates, although this scheme is subject to change from time to time and most of the company's products are subject to some price discounting. The scheme rate will decrease from 9.6% in 2019 to 5.9% in 2020 which will impact positively the estimated revenues of 2020 by £2.1m.

Key performance indicators

The company's financial Key Performance Indicators (KPIs) are sales performance versus budget, actual operating expenses versus budget and third party receivables in days. In terms of 2019, KPI performance was as follows:-

- Sales were 1.8% below budget mainly due to sales volume factors where the company's largest product performed below budget (but consistent with the previous year) and newly launched products did not perform as anticipated due to market access challenges.
- Operating expenses were 1.2% below budget due to lower spending in Marketing expenses to compensate the lower sales.
- Receivables in days were 53 days at the end of 2019 compared with a budget of 48 days.

Financial position

As at the end of the financial year, the company continued to have a strong financial position with net assets at £7.7m (2018: £5.0m).

These KPIs are used to monitor both current performance and as a part of longer range business planning process which looks at a five year time horizon.

Approved for issue on behalf of the board of directors

Gilles Pluntz

Gilles Pluntz (Oct 29, 2020 23:57 GMT+1)

Mr G Pluntz
Director

Date: Oct 29, 2020

FERRING PHARMACEUTICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Results and dividends

The company's trading profit for the year, after taxation, was £2.39m (2018: £1.45m).

During the year a dividend of £nil (2018 - £nil) was paid. The directors do not recommend any further dividends.

There have been no subsequent events since the year end.

Post balance sheet event

In March 2020, the World Health Organisation ("WHO") declared a public health emergency of international concern related to a novel coronavirus disease COVID-19 and subsequently raised their threat to a pandemic. As a result of this declaration, regions around the world have experienced significant social and economic disruption. The company has determined that the event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The financial effect thereof cannot be estimated, at the time of signing of the financial statements. There have been no other significant events affecting the company since year end.

Future developments

The review of the current year's performance is covered in the Strategic Report on pages 1 and 2. In terms of future developments, the company is planning to further develop its existing products as well as launching new products which are consistent with the therapeutic areas in which it operates.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Pettigrew
Mr G Pluntz

Directors' Indemnities

The company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

Donations	2019 £	2018 £
During the year the company made the following contributions:		
Charitable	227,293	342,846
Political	200,000	237,465

FERRING PHARMACEUTICALS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Donations (continued)

Donations were given to various charities including those involved in ecological research, preservation and education. The largest charitable donations were as follows:

	2019	2018
	£	£
St John's Ambulance	100,000	-
Guys and St Thomas' Hospital	21,910	-
University of Dundee	-	30,000
The Pushkin Trust	-	25,000
Duke of Edinburgh International Award Foundation	-	100,000
Naked Heart Foundation	-	100,000
Nuffield Health	30,000	30,000
	<u> </u>	<u> </u>
The aggregate figure of political donations is made up as follows:		
Donations to political parties: Liberal Democrats	200,000	237,465
	<u> </u>	<u> </u>

Going concern

The going concern basis of accounting has been applied, this is considered to be appropriate by the directors as there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

During the first months of 2020 the COVID-19 outbreak has created an unprecedented effect on the world economy, Ferring Group has responded to this with the following measures:

- Special teams have been formed to analyse risks and define measures co-ordinated by a Global COVID-19 team
- To protect the production process special safety measures are taken in the manufacturing sites to secure continuation of product supply for the demand in the markets and to create safety stock; as to date we have not noted major disruptions in our manufacturing sites. We have asked employees to work from home where practical
- Different business impact scenarios have been developed to determine the potential business and financial impact for Ferring enabling Ferring to respond swiftly to changing circumstances; information on these scenario's is collected and analysed on a regular basis
- Cost containment measures have been communicated to stop or reduce non-critical activities and to stop hiring non-critical positions
- Cash protection measures have been but in place including obtaining additional financing. Given the current position of the Ferring Group and the capability of access to cash, the estimated effects of COVID-19 on sales, income and cash flows are not expected to result in a going concern risk for the Ferring Group and therefore the Ferring Group will continue to financially support Ferring operations globally.

Statement of disclosure of information to the auditor

The directors who were in the office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the company's auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the company's auditor. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

FERRING PHARMACEUTICALS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Auditor

The auditor, Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' report as the directors consider these are of strategic importance to the company.

Approved for issue on behalf of the board of directors

Gilles Pluntz

Gilles Pluntz (Oct 29, 2020 23:57 GMT+1)

.....
Mr G Pluntz

Director

Date: Oct 29, 2020

FERRING PHARMACEUTICALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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.

FERRING PHARMACEUTICALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERRING PHARMACEUTICALS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ferring Pharmaceuticals Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (FRC) 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 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 respect of these matters.

FERRING PHARMACEUTICALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERRING PHARMACEUTICALS LIMITED (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

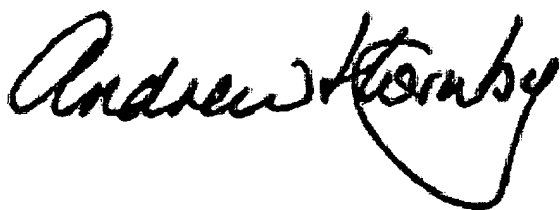
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

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

we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we



(auditor)

9 November 2020

FERRING PHARMACEUTICALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

Notes		2019 £	2018 £
REVENUE	4	64,815,778	60,473,462
Cost of sales		(46,989,991)	(43,113,521)
GROSS PROFIT		17,825,787	17,359,941
Selling and distribution costs		(495,536)	(558,982)
Administrative expenses		(15,412,391)	(15,238,125)
Other operating income	5	420,101	219,981
OPERATING PROFIT	6	2,337,961	1,782,815
Finance income	8	691,040	8,056
Finance costs	8	(100,269)	(22,287)
PROFIT BEFORE INCOME TAX		2,928,732	1,768,584
Income tax expense	9	(538,668)	(317,200)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		2,390,064	1,451,384

FERRING PHARMACEUTICALS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Notes		2019 £	2018 £
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,819,664	312,608
Intangible asset	11	67,473	79,428
Deferred tax asset	18	47,009	39,776
		<hr/>	<hr/>
		3,934,146	431,812
CURRENT ASSETS			
Inventories	12	7,756,164	8,373,908
Trade and other receivables:13			
- due within one year		11,283,108	7,273,033
- due in more than one year		2,868,699	-
Cash and cash equivalents		2,323	3,170
		<hr/>	<hr/>
		21,910,294	15,650,111
CREDITORS			
Amounts falling due within one year	14	(9,244,629)	(5,319,122)
Corporation tax		(377,075)	(157,065)
Accruals and deferred income		(5,820,974)	(5,518,715)
		<hr/>	<hr/>
NET CURRENT ASSETS		6,467,616	4,655,209
		<hr/>	<hr/>
NON CURRENT CREDITORS			
Lease liabilities	15	(2,924,677)	-
		<hr/>	<hr/>
NET ASSETS		7,477,085	5,087,021
		<hr/>	<hr/>
EQUITY			
Share capital	19	30,303	30,303
Retained earnings		7,446,782	5,056,718
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' FUNDS		7,477,085	5,087,021
		<hr/>	<hr/>

The notes on pages 12 to 30 are an integral part of these financial statements.

These financial statements on pages 9 to 30 are approved by the board of directors and authorised for issue on Oct 29, 2020 and are signed on its behalf by:

Gilles Pluntz

Gilles Pluntz (Oct 29, 2020 23:57 GMT+1)

Mr G Pluntz
Director

FERRING PHARMACEUTICALS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2018	30,303	3,605,334	3,635,637
Profit for the year	-	1,451,384	1,451,384
Balance as at 31 December 2018	30,303	5,056,718	5,087,021
Balance as at 1 January 2019	30,303	5,056,718	5,087,021
Profit for the year	-	2,390,064	2,390,064
Balance as at 31 December 2019	30,303	7,446,782	7,477,085

Retained earnings represents accumulated comprehensive income for the year and prior periods plus any related tax credits, charges from the parent less dividends paid.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The company is a private limited company limited by share capital, incorporated in the United Kingdom under Companies Act 2006 and is registered in England and Wales.

The company's registered number is 01198007 and the address of its registered office is Drayton Hall, Church Road, West Drayton, Middlesex, UB7 7PS.

The company focuses on sales and marketing activities with products in the gastroenterology, urology, reproductive health and endocrinology therapy areas. The success of both current and planned products within these therapy areas lies at the core of the company's strategic direction, within a framework of values called the Ferring Philosophy which places people at the heart of what we do.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

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

- Comparative information has not been given in respect of:
 - i. a reconciliation of the carrying amount of each class of tangible assets at the beginning of the period;
 - ii. a reconciliation of the carrying amount of each class of intangible assets at the beginning of the period;
- The requirement to produce a third statement of financial position when applying a change in accounting policy, retrospective restatement or reclassification.
- The requirement to disclose information relating to the company's objectives, policies and processes for managing capital.
- The requirement to publish a Statement of Cash Flows.
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments.
- The requirement to disclose the valuation techniques applied to assets and liabilities held at fair value.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.1 BASIS OF PREPARATION (Continued)

- The requirement to disclose compensation for key management between short term employee benefits, post-employment benefits and other long term benefits.
- The requirements to disclose related party transactions entered into between two or more, wholly owned, members of a group.
- The requirement to disclose the future impact of a new IFRS in issue but not effective at the reporting date.
- The requirements of paragraph 58 of IFRS 16 to disclose a maturity analysis of lease liabilities

2.1.1 NEW STANDARDS AND AMENDMENTS

The company has applied IFRS 16 'Leases' for the first time in the year ended 31 December 2019. IFRS 16 replaces IAS 17 'Leases'.

Previously, leases were classified as finance leases when the terms of the lease transferred substantially all the risks and rewards of ownership to the company. All other leases were classified as operating leases.

Rentals payable under operating leases were expensed on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease (such as up-front cash payments and reimbursement of relocation costs or the cost of lease improvements) were also spread on a straight-line basis over the lease term.

The impact of adopting IFRS 16 is as follows:

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short term' leases where lease payments are recognised on a straight-line basis over the lease term.

The accounting for leases previously accounted for as finance leases under IAS 17 has not changed substantially, except that residual value guarantees are recognised under IFRS 16 at amounts expected to be payable rather than the maximum amount guaranteed, as required by IAS 17.

The company has taken advantage of the practical expedient to recognise the right-of-use asset on the date of initial application at an amount equal to the lease liability. At 1 January 2019 a right-of-use asset and corresponding lease liability of £4,320,935 has been recognised. The net impact on the income statement of additional depreciation and interest expense for the year ended 31 December 2019 in excess of the rental expense is £832,667.

The company has applied the modified retrospective approach on adoption of IFRS 16. There was no impact on opening reserves at 1 January 2019. The comparative figures are as previously reported under IAS 17.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.1.1 NEW STANDARDS AND AMENDMENTS (continued)

Impact of transition

The incremental borrowing rate applied to lease liabilities recognised by the group at 1 January 2019 was 1.66%.

At 31 December 2018 the company's operating lease commitments totalled £4,312,204. Further details on the impact of this transition and the difference between the operating lease commitment and the lease liability is illustrated in note 16.

2.1.2 GOING CONCERN

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

During the first months of 2020 the COVID-19 outbreak has created an unprecedented effect of the world economy.

Ferring Group has responded to this with the following measures:

- special teams have been formed to analyse risks and define measures co-ordinated by a Global COVID-19 team.
- to protect the production process special safety measures are taken in the manufacturing sites and employees have been asked to work from home where practical
- cost containment measures have been communicated to stop or reduce non-critical activities and to stop hiring non-critical positions
- cash protection measures have been put in place

The estimated effects of COVID-19 on sales, income and cash flows are not expected to result in a going concern risk for the Ferring Group and therefore the Ferring Group will continue to financially support the Ferring operations globally.

2.2 FOREIGN CURRENCIES

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.

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 re-measured. 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. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income.'

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.3 PROPERTY PLANT AND EQUIPMENT

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the lease period of 15 years or less
Computer software	25% straight line
Fixtures and fittings	25% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Land and buildings	over the lease period of 15 years
Plant and machinery	33% straight line

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below. An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the Group incurs the obligation for these costs.

The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

2.4 INTANGIBLE ASSETS

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

Amortisation is charged to administrative expenses on the following basis:

Computer software	Between 5 and 10 years
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FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.5 RECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the company with original maturities of less than three months.

2.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard costing method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 TRADE, GROUP AND OTHER RECEIVABLES

Trade receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

2.9 IMPAIRMENT OF FINANCIAL ASSETS

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment losses and any subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

2.10 FINANCIAL LIABILITIES AND EQUITY

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

Trade, group and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.10 FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

Interest-bearing bank loans and, bank overdrafts are initially measured at fair value, net of direct transaction costs and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the loan using an effective rate of interest.

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

2.11 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is released or the deferred income tax liabilities is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 EMPLOYEE BENEFITS

The company operates a defined contribution pension plan.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to a privately administered pension insurance plan. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.13 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration specified in a contract with a customer. This represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the performance obligation has been satisfied. This occurs upon on accepted delivery by the customer.

The directors have continued to apply IFRS 15 'Revenue from contracts with customers' and consider there to be no impact on the amounts recognised in the prior period or the current period and do not expect any significant impact in future periods. There have been changes in revenue disclosures and the revenue accounting policy.

2.14 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.15 LEASES

On commencement of a contract (or part of a contract) which gives the company the right to use an asset for a period of time in exchange for consideration, the company recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets

For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Company is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Termination penalties are included in the lease payments if the lease term has been adjusted because the Group reasonably expects to exercise an option to terminate the lease.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.15 LEASES (continued)

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in the statement of comprehensive income.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect, and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee Company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.15 LEASES (continued)

The following accounting policies were applied to leases in the year ended 31 December 2018 in accordance with IAS 17 'Leases':

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.16 DIVIDEND DISTRIBUTION

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.17 RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off against profits in the year in which it is incurred.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable given the circumstances prevailing when the financial statements are approved.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, the directors consider that there is not a significant risk of a material adjustment arising to the carrying value of the company's assets and liabilities as a result of the use of these estimates and assumptions.

Revenue

Within revenue the company includes estimates for the Voluntary Pricing and Access Scheme (VPAS) and rebates. VPAS is calculated using the current Department of Health VPAS rate applied to relevant revenue subject to VPAS. Rebates are calculated based on estimated volume and prices, which are based on historical data and consider any changes in future events.

Leases

The company uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the company estimates the incremental borrowing rate based on its external borrowings secured against similar assets, adjusted for the term of the lease.

Further information on judgements made and the incremental borrowing rate used can be found in note 17.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE

The company is engaged in the development of innovative treatments and, in the directors' opinion, does not carry on classes of business which are substantially different from each other. Consequently, no segmented analysis by class of business is presented in these financial statements.

Analysis of revenue by geography:	2019 £	2018 £
United Kingdom	64,802,094	60,197,111
Other European Union members	13,684	276,351
	<u>64,815,778</u>	<u>60,473,462</u>

Management considers there to be only one operating segment within the business based on the way the business is organised and the way results are reported internally.

The company has no contract revenue.

5. OTHER OPERATING INCOME	2019 £	2018 £
Other operating income	420,101	219,981
	<u>420,101</u>	<u>219,981</u>

Other operating income primarily relates to income received from other third parties along with rent received and service charge income.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. OPERATING PROFIT	2019 £	2018 £
Operating profit is stated after charging/ (crediting):		
Wages and salaries	5,724,940	5,251,747
Social security costs	897,739	873,270
Other pension costs	541,490	534,474
	<u> </u>	<u> </u>
Staff costs	7,164,169	6,659,491
	<u> </u>	<u> </u>
Exchange losses	2,175	5,513
Operating lease charges	-	977,506
Audit fees payable to the company's auditor	40,534	39,778
Non-audit fees payable to the company's auditor	7,875	17,053
Cost of inventories recognised as an expense	47,179,672	42,139,192
Write down of inventories recognised as an expense	269,221	668,938
Restructuring costs	580,587	(118,762)
Loss on disposal of tangible assets	428	17,449
Depreciation	99,586	93,551
Depreciation – right of use assets	761,669	-
Amortisation	27,939	40,629
	<u> </u>	<u> </u>

The credit of restructuring costs in the prior year relate to the release of an over accrued cost.

7. EMPLOYEES	2019 Number	2018 Number
The average monthly number of persons (including directors) employed by the company during the year was:		
Selling and distribution	76	81
Administration	14	16
	<u> </u>	<u> </u>
	90	97
	<u> </u>	<u> </u>
Directors' remuneration	2019 £	2018 £
Aggregate emoluments	57,845	57,514
	<u> </u>	<u> </u>

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. NET FINANCE COSTS

Finance income	2019 £	2018 £
Interest receivable from group companies	691,040	8,056
	<u> </u>	<u> </u>
Finance costs		
Interest payable to group companies	(28,078)	(20,782)
Interest on taxation	-	(805)
Interest on lease liabilities	(70,998)	-
Other interest	(1,193)	(700)
	<u>(100,269)</u>	<u>(22,287)</u>
NET FINANCE INCOME/(COSTS)	<u>590,771</u>	<u>(14,231)</u>

9. INCOME TAX

	2019 £	2018 £
Current tax:		
UK Corporation tax on profits of year	552,075	304,475
Adjustment in respect of prior years	(6,174)	(878)
	<u> </u>	<u> </u>
Total current tax	545,901	303,597
Deferred tax:		
Origination and reversal of timing differences	(10,686)	13,603
Adjustment in respect of prior years	3,453	-
	<u> </u>	<u> </u>
Total deferred tax	(7,233)	13,603
	<u> </u>	<u> </u>
Tax on profit	<u>538,668</u>	<u>317,200</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the effective rate of corporation tax as explained below:

	2019 £	2018 £
Profit before tax	2,928,732	1,768,584
	<u> </u>	<u> </u>

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. INCOME TAX (Continued)

Profit before tax multiplied by the effective rate of corporation tax 19% (2018: 19%)	556,459	336,031
Effects of:		
Expenses not deductible for tax	189,201	184,772
Adjustment in respect of prior years	(2,721)	(878)
Group relief claimed	(204,271)	(202,725)
	<u>538,668</u>	<u>317,200</u>
Total tax	538,668	317,200

10. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings right of use asset £	Leasehold improvements £	Office equipment £	Plant & machinery right of use asset £	Total £
Cost:					
At 1 January 2019	-	244,941	468,289	-	713,230
Additions	-	25,780	22,024	-	47,804
Additional right of use assets on transition to IFRS 16	3,647,657	-	-	673,278	4,320,935
Disposals	-	-	(8,377)	(61,530)	(69,907)
	<u>3,647,657</u>	<u>270,721</u>	<u>481,936</u>	<u>611,748</u>	<u>5,012,062</u>
At 31 December 2019	3,647,657	270,721	481,936	611,748	5,012,062
Accumulated depreciation:					
At 1 January 2019	-	101,008	299,614	-	400,622
Charge for year	491,819	22,537	77,049	269,850	861,255
Disposals	-	-	(7,949)	(61,530)	(69,479)
	<u>491,819</u>	<u>123,545</u>	<u>368,714</u>	<u>208,320</u>	<u>1,192,398</u>
At 31 December 2019	491,819	123,545	368,714	208,320	1,192,398
Net book value					
At 31 December 2019	<u>3,155,838</u>	<u>147,176</u>	<u>113,222</u>	<u>403,428</u>	<u>3,819,664</u>
At 31 December 2018	-	143,933	168,675	-	312,608

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. INTANGIBLE ASSET		Computer software £
Cost:		
At 1 January 2019		171,558
Additions		15,984
Disposals		(59,343)
		<hr/>
At 31 December 2019		128,199
		<hr/>
Accumulated amortisation:		
At 1 January 2019		92,130
Charge for the year		27,939
Disposals		(59,343)
		<hr/>
At 31 December 2019		60,726
		<hr/>
Net book value:		
At 31 December 2019		67,473
		<hr/>
At 31 December 2018		79,428
		<hr/>
12. INVENTORIES		
	2019 £	2018 £
Finished goods and goods for resale	7,756,164	8,373,908
	<hr/>	<hr/>
13. TRADE AND OTHER RECEIVABLES		
	2019 £	2018 £
Trade receivables	3,371,621	5,840,494
Amounts owed by group undertakings	7,684,834	910,764
Other receivables	739	86,164
Prepayments and accrued income	3,094,613	435,611
	<hr/>	<hr/>
	14,151,807	7,273,033
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. TRADE AND OTHER RECEIVABLES (continued)

During the current and prior year, no amounts were received or receivable arising from contracts with customers and no contract assets or liabilities were recognised.

Prepayments includes an amount of £2,868,699 which is due after more than one year. The nature of such prepayment relates to a one-off payment covering 5 years to the Department of Health & Social Care under the 2019 Voluntary Scheme.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Bank loans and overdrafts	363	-
Trade payables	2,807,826	1,706,825
Amounts owed to group undertakings	2,843,368	1,885,876
Taxation and social security	2,674,327	1,657,054
Other creditors	209,676	69,367
Lease liabilities	709,069	-
	<u>9,244,266</u>	<u>5,319,122</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2019 £	2018 £
Lease liabilities	<u>2,924,677</u>	<u>-</u>

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. LEASE LIABILITIES

Disclosure of lease liabilities at the year end due within one year and in more than one year are disclosed in notes 14 and 15 respectively.

Disclosure of the carrying amounts of right of use assets by class have been disclosed in note 10.

Effect of leases on financial performance	2019 £	2018 £
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:		
- Land and buildings	491,819	-
- Plant and machinery	269,850	-
Interest expense for the year on lease liabilities recognised in 'finance costs'	70,998	-
Effect of leases on cash flows:		
Total cash outflow for leases in the year	758,187	-

The company leases a property for the use of its operations in the UK. The lease term is 15 years, with 7 years remaining as at 31 December 2019 (2018 – 8 years). Rent is fixed until 2021 when a formal rent review will take place. The lease will be terminated at the end of the lease term. The lease is subject to repair and maintenance terms and the property must be restored to the original condition on termination of the lease.

The company leases cars for its operations. The leases are for terms of 3 years. Rentals payable on vehicle leases are fixed unless mileage limits are exceeded. Consequential increases in rentals are recognised in the profit or loss when they arise.

The total lease commitments under non-cancellable operating leases at 31 December 2018 disclosed in accordance with IAS 17 were as follows:

	2018 £
Land and buildings:	
Within one year	527,760
Between 2 and 5 years	2,111,040
In more than 5 years	1,275,420
Plant & machinery:	
Within 1 year	214,285
Between 2 and 5 years	183,699
	4,312,204

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. LEASE LIABILITIES (continued)

There were no differences between the operating lease commitments disclosed at 31 December 2018 under IAS 17 discounted at the incremental borrowing rate at 1 January 2019 and lease liabilities recognised at 1 January 2019, as set out below:

	Operating lease commitments £	Incremental borrowing rate %	Discounted lease commitment £	Lease liability recognised £
Land and buildings	3,914,220	1.87	3,693,104	3,693,104
Plant and machinery	397,984	1.65	412,558	412,558

17. DEFERRED TAX

The deferred tax asset is made up as follows:-

	2019 £	
Balance at 1 January 2019	39,776	
Adjustment in respect of prior years	(3,453)	
Profit and loss account	10,686	
	<hr/>	
Balance at 31 December 2019	47,009	
	<hr/>	
	2019 £	2018 £
Decelerated capital allowances	25,766	25,223
Short term temporary differences	21,243	14,553
	<hr/>	<hr/>
Total	47,009	39,776
	<hr/>	<hr/>

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. POST EMPLOYMENT BENEFITS

The company operates a defined contribution scheme for its employees

The amount recognised as an expense for the defined contribution scheme was:

	2019 £	2018 £
Current period contribution	541,490	534,474

Contributions totalling £124,009 (2018 - £69,367) were payable to the fund at the year end and are included in creditors

19. SHARE CAPITAL

	2019 £	2018 £
Authorised:		
100,000 ordinary shares of £1 shares	100,000	100,000
Allotted, called up and fully paid:		
30,303 ordinary shares of £1 each	30,303	30,303

20. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Ferring Laboratories Limited and is included in the consolidated financial statements of Ferring Laboratories Limited. The company is exempt from disclosing related party transactions with entities that are part of Ferring Laboratories Limited.

21. EVENTS AFTER BALANCE SHEET DATE

In March 2020, the World Health Organisation ("WHO") declared a public health emergency of international concern related to a novel coronavirus disease COVID-19 and subsequently raised their threat to a pandemic. As a result of this declaration, regions around the world have experienced significant social and economic disruption. The company has determined that the event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The financial effect thereof cannot be estimated, at the time of signing of the financial statements. There have been no other significant events affecting the company since year-end.

FERRING PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

22. ULTIMATE CONTROLLING PARTY

The immediate parent company is Ferring Asset Management Limited, a company incorporated in the United Kingdom. The smallest company to include the company's results in its consolidated financial statements is Ferring Laboratories Limited, a company incorporated in the United Kingdom. Copies of the company's financial statements may be obtained from the registered office, Drayton Hall, Church Road, West Drayton, Middlesex, UB7 7PS.

The largest company to consolidate the company's results and the company's ultimate parent undertaking is Ferring Holding SA. Information on Ferring Holding SA financial statements can be obtained from the registered office, Chemin de la Vergognausaz 50, 1162 St-Prex, Switzerland.