

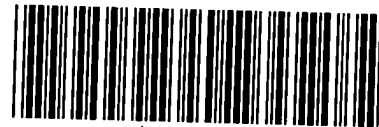
Company Registration No: 01508287 (England and Wales)

FERRING LABORATORIES LIMITED

**REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

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FERRING LABORATORIES LIMITED

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FERRING LABORATORIES LIMITED

DIRECTORS AND PRINCIPAL ADVISERS

Directors	Mrs J Duvall Dr P Wilden
Company secretary	Mr R Creteigny
Registered Number	01508287
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
Principal Bankers	HSBC Bank Plc Apex Plaza Reading Berkshire RG1 1AX United Kingdom

FERRING LABORATORIES LIMITED

STRATEGIC REPORT

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

Principal activities and strategic direction

The Ferring UK Group ('the group') is part of Ferring Group which is an international biopharmaceutical group dedicated to the development of innovative treatments that make a real difference to people's lives all over the world. The research and development programmes of the group focus on the internal development of first-in-class therapeutics 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 group focuses on the research, development, sales and marketing of 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 group's strategic direction, within a framework of values called the Ferring Philosophy.

During the year, the group continued its principal activities which are the development, manufacture, sales and marketing of pharmaceutical products. The groups operations are based in the UK.

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 in the ability of the company to continue as a going concern.

The directors acknowledge that the Group has net liabilities. The directors have therefore sought and obtained confirmation from the group parent company, Ferring BV of its willingness and ability to provide support to the group.

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 put 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.

FERRING LABORATORIES LIMITED

STRATEGIC REPORT

Review of the business

The group has two operating businesses, one in sales and marketing and one in manufacturing. Combined revenue for the businesses was £77.5m (2018: £69.3m). The sales and marketing company continues to be successful in increasing access to its products. 2019 saw an improvement in sales volumes compared with the previous year while prices have reduced compared with previous years resulting in an increase in revenue to £64.8m (2018: £60.5m). The manufacturing company within the group operates under a contract manufacturing agreement with Ferring International Centre SA and volumes have increased resulting in revenues of £12.6m (2018: £8.8m).

In the autumn 2019, Ferring UK went through an internal restructure resulting in 12 job losses, the aim of the restructure was to change from a Business Unit / Therapeutic / Product structure (Fertility/Gastro/Urology) to a function structure (Sales/Marketing/Medical). This will now provide the base for Ferring UK to build on for the future and adapt to the both new ways of working and to be more agile in a more competitive environment as well as to align the organisation to the price pressure that the industry is under.

Principal risks and uncertainties

The group 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 group'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 group's customer base could affect the prescribing of its products and so it is important that the group continues to develop its customer relationships and product portfolio.

Given that the group 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. The company will be indirectly affected through its investments. Investment companies will be taking action to mitigate the risk of Brexit. The group have 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 financial risk management of the group is managed by the group's operating companies. These operating companies are exposed to financial risk through their financial assets and liabilities. The directors consider the most relevant components of financial risk for the group are: credit risk, liquidity risk, currency risk and price risk. These risks are as follows:

- Credit risk: credit control procedures are in place and considered sufficient to recover trade debts.
- Liquidity risk: the company participates in a cash pool operated by the Ferring Group. All funds are transferred to the cash pool periodically. The risk is minimised as surplus funds are transferred to or from the group cash pool.

FERRING LABORATORIES LIMITED

STRATEGIC REPORT

- Currency risk: this is negligible as it is the group policy to invoice in the debtor company's home currency and export sales are minimal.
- Price risk: In terms of the group's UK sales and marketing activities, selling prices are known with some certainty in terms of medicines due to the operation of the 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. In terms of the groups manufacturing activities, there is no short-term price risk as the production is governed by a contract manufacturing agreement within the Ferring global group.

Key performance indicators

The groups financial KPI's are sales performance versus budget/plan and control of actual operating expenses versus budget. These are used to monitor current performance and as part of longer range business planning. KPI performance was as follows:

Sales and marketing business:

- 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 4% below budget due to lower spending in Marketing and Investigator Initiated Trials expenses to compensate the lower sales.
- Receivables in days were 53 days at the end of 2019 compared with a budget of 48 days.

Manufacturing business:

- Sales volume was 111% of budget due to the new product launch and higher volumes.
- Operating expenses were 6% below budget mainly due to changes in research and development project spend.

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

Financial position

As at the end of the financial year, the company had net liabilities of £24.7m compared with net liabilities of £17.3m for the previous year. The trading companies within the group continue to generate operating profits and maintain positive cash balances (see page 16). The company had no third-party borrowings during or at the year end of 2019 (2018: £nil).

Statement of Directors Duties to stakeholders

The directors of the group have a duty to promote the success of the group. A director of the group must act in a way he/she considers, in good faith to promote the success of the company for the benefit of its members as a whole and to other stakeholders. The directors have identified the following stakeholders in addition to the members of the company which the board consider when making strategic decisions:

- Employees of the group
- Patients who are the end users of Ferring products
- Physicians who prescribe Ferring products
- Suppliers
- Local Communities and the environment

The directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risk and internal controls. The directors are also committed to maintaining a reputation for high standards of business conduct through continual review and adoption of governance best practice.

FERRING LABORATORIES LIMITED

STRATEGIC REPORT

Engagement with employees

The Ferring philosophy permeates throughout the worldwide Ferring group and forms a central part to the group's interactions with its employees. As a group we strive to set that tone with five simple words: 'People come first at Ferring'.

We want people to be able to see the connection between our values, the Ferring Philosophy, and their jobs. The values part is about keeping the Philosophy alive every day: People Come First at Ferring means that we're looking out for our patients, payers, physicians and employees. We must maintain those fundamental values even more as we develop a performance-driven culture. Ultimately, we want people to be passionate about their work. We need to support our employees so that they can feel a true sense of purpose. We have strong foundations in the Philosophy – we must continue to build on them.

As mentioned within the second paragraph of the business review on page 3 a restructure was undertaken during the year which resulted in 12 job losses, the board considered the long term benefits for all stakeholders and from an employee perspective took the strategic decision to proceed on the basis that it would provide a sustainable future on which future growth can be built. The board felt that by making this decision, longer term returns to shareholders would be enhanced as would reward and recognition for employees together with sustainability.

Patient outcomes and direct customers

Patients using our products and physicians prescribing them have a right to expect that:

- we will only make available those products in which we have full confidence;
- we will offer the best possible products at the most reasonable cost;
- Ferring's employees will always display courtesy and respect, and act professionally;

Ferring seeks the loyalty of these patients and physicians, and we are prepared to earn this loyalty anew every day.

We assign a dedicated employee to each of our direct customers to ensure that Ferring understand and are meeting their needs. As a board, we consistently monitor the market as well as advances in the Pharmaceutical industry to ensure that the company is able to respond to our customers' needs in both the short and long term.

Suppliers

The group foster strong business relationships with suppliers by investing time and energy and having a relationship built on trust, reliability and where terms are agreed and honored.

Members

The UK business has a close working relationship with its parent entity and the wider Ferring group, which provides a key strand of the group's strategy and philosophy. The board consider when making decisions the impact on members as well as other stakeholders mentioned in this report as well as with regard to UK legislation.

Post balance sheet event

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. For Ferring Laboratories Limited, the risk is limited to some loss of sales for fertility products for months of lockdown which will be compensated by promotional cost cut and hiring freeze. This will enable the company to have a very limited or no impact on its financials as well as ensuring its future economical sustainability.

FERRING LABORATORIES LIMITED

STRATEGIC REPORT

Community and environment

We operate in a world with finite resources and must support a society with multiple challenges and inequalities. This demands a business driven by core values and motivated by its contribution to society. We have the firm foundations of our Ferring Philosophy at the heart of who we are, and corporate social responsibility is an integral part of that identity. The group supports employees with local initiatives both with time and the matching of fundraising. The group recognises its impact on the environment and during 2018 Ferring UK installed 6 hybrid/electric car charging points at our West Drayton head office. Additionally, we made hybrid cars an option on the company car list. Those who drive hybrids or electric cars have reduced their CO2 emissions on average from 5.6 tonnes to 1.97 tonnes annually. That is a 65% reduction per driver each year. Currently around 17% of employees drive hybrid cars and we aim to increase this to at least 50% within the next 3 years.

Future developments

The group intends to continue its current activities in the development, manufacture sales and marketing of pharmaceutical products. The future sales outlook for the group is likely to be challenging as competitive pressures and customer expectation increase. However, the group is optimistic that it can meet these challenges and continue to provide products which are valued in the therapeutic areas in which it operates.

Research and development

In addition to the Ferring global group carrying out research and development activities in the UK, the group itself invests in the development of pharmaceutical products based on patented drug delivery technologies. The cost of research and development in the year amounted to £4.4m (2018: £4.4m).

Approved for issue on behalf of the board of directors



Dr P Wilden
Director

Oct 26, 2020

Date:

FERRING LABORATORIES LIMITED

DIRECTORS' REPORT

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

Results and dividends

The results for the year are set out on page 13.

The directors do not recommend payment of a final dividend (2018: £nil).

Branches

The group has a branch, as defined in Section 1046(3) of the Companies Act 2006 based in Switzerland.

Board of Directors

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

Mrs J Duvall
Dr P Wilden

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 group made the following contributions:		
Charitable	228,332	346,798
Political	200,000	237,465

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
The aggregate figure of political donations is made up as		
Donations to political parties: Liberal Democrats	200,000	237,465

FERRING LABORATORIES LIMITED

DIRECTORS' REPORT (CONTINUED)

Employment policies

All group companies follow the 'Ferring Philosophy' which means 'People come first at Ferring'. Employees are kept informed of the aims, objectives, activities and financial performance of the Group and they are encouraged to take a wider interest in its affairs.

The health and safety of employees is very important to the Group. Safety awareness is promoted in the Group working environment and is reviewed in light of good practise and developing legislation.

Ferring is an equal opportunities employer and is committed to maintaining a working culture which enables all employees to make their own distinctive contribution. Employment policies are designed to be fair and equitable, and to be consistent with the abilities of employees and the needs of the Group.

Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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. These include financial risk management, future developments and research and development.

Approved for issue on behalf of the board of directors



Dr P Wilden
Director

Date: Oct 26, 2020

FERRING LABORATORIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing the Parent Company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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 LABORATORIES LIMITED

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

Report on the audit of the financial statements.

Opinion

In our opinion the financial statements of Ferring Laboratories Limited (the 'parent company') and its subsidiaries (the 'group'):

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement and statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent 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 group's or the parent 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.

FERRING LABORATORIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERRING LABORATORIES LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in this 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.

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 group's and the parent 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 group or the parent 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.

FERRING LABORATORIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERRING LABORATORIES LIMITED (CONTINUED)

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 group and of the parent company and their 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

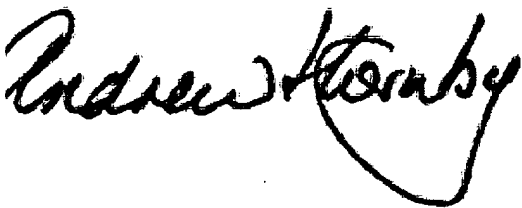
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 the fullest extent permitted by law 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



y auditor)

9 November 2020

FERRING LABORATORIES LIMITED

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	2	77,455,078	69,258,868
Cost of sales		(58,362,915)	(51,767,510)
Gross profit		19,092,163	17,491,358
Distribution costs		(495,536)	(558,982)
Administrative expenses		(20,724,450)	(20,365,010)
Other operating income		5,479,305	5,709,397
Profit from operations		3,351,482	2,276,763
Finance costs	4	(467,604)	(1,040,963)
Profit before tax	5	2,883,878	1,235,800
Tax charge	6	(771,511)	(464,730)
Profit for the year		2,112,367	771,070
Exchange differences arising on translation of foreign operations		(2,788)	6,686
Total comprehensive income for the year		2,109,579	777,756

The consolidated income statement and statement of comprehensive income have been prepared on the basis that all operations are continuing.

FERRING LABORATORIES LIMITED

Registered Number 01508287

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	7	12,704,568	8,045,216
Intangible assets	8	67,473	79,428
Deferred tax assets	17	47,009	-
		<u>12,819,050</u>	<u>8,124,644</u>
Current assets			
Inventories	9	15,045,778	12,838,104
Trade and other receivables:	10		
- due within one year		44,016,768	41,155,892
- due in more than one year		2,868,699	-
Cash and cash equivalents	11	129,570	134,261
		<u>62,060,815</u>	<u>54,128,257</u>
Total assets		<u>74,879,865</u>	<u>62,252,901</u>
Current liabilities			
Borrowings	13	(399)	(266)
Trade and other payables	12	(16,808,667)	(10,937,666)
Lease liabilities	14	(709,069)	-
Current income tax liability		(94,886)	(101,223)
Accruals and deferred income		(7,125,968)	(6,287,672)
		<u>(24,738,989)</u>	<u>(17,326,827)</u>
Total assets less current liabilities		<u>50,140,876</u>	<u>44,926,074</u>
Non-current liabilities			
Loans and borrowings	13	(60,700,000)	(60,700,000)
Deferred tax liabilities	17	(921,755)	(727,509)
Lease liabilities	14	(2,924,677)	-
Non current trade and other payables	18	-	(13,700)
		<u>(64,546,432)</u>	<u>(61,441,209)</u>
Total liabilities		<u>(89,285,421)</u>	<u>(78,768,036)</u>
Net liabilities		<u>(14,405,556)</u>	<u>(16,515,135)</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	19	120,001	120,001
Accumulated loss		(14,514,629)	(16,626,996)
Other reserves		(10,928)	(8,140)
Total equity		<u>(14,405,556)</u>	<u>(16,515,135)</u>

The financial statements were authorised for issue and approved by the Board of Directors on Oct 26, 2020 and signed on its behalf by: 2020

Dr P Wilden
Director



FERRING LABORATORIES LIMITED

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

	Share capital	(Accumulated loss)	Other reserves	Total equity
	£	£	£	£
At 1 January 2018	120,001	(17,398,066)	(14,826)	(17,292,891)
Profit after tax and total comprehensive income for the year	-	771,070	6,686	777,756
At 31 December 2018	120,001	(16,626,996)	(8,140)	(16,515,135)
At 1 January 2019	120,001	(16,626,996)	(8,140)	(16,515,135)
Profit after tax and total comprehensive expense for the year	-	2,112,367	(2,788)	2,109,579
At 31 December 2019	120,001	(14,514,629)	(10,928)	(14,405,556)

(Accumulated loss) / earnings represents accumulated comprehensive income for the year and prior periods plus related tax credits less dividends paid.

Other reserves are in relation to foreign exchange differences on the translation of a foreign subsidiary.

FERRING LABORATORIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Profit before tax		2,883,878	1,076,630
Amortisation of intangible assets	8	27,939	40,629
Depreciation	7	1,917,174	1,042,296
Finance income	4	(691,040)	(8,056)
Finance expense	4	1,158,644	1,049,019
Movement in grant provision	5	(13,700)	(13,700)
Loss on sale of tangible assets	5	428	17,449
		<u>5,283,323</u>	<u>3,204,267</u>
Cash flows from operations before changes in working capital			
(Increase) in inventories		(2,207,674)	(5,098,953)
(Increase)/decrease in trade and other receivables		(5,729,584)	7,353,690
Increase/(decrease) in trade and other payables		6,709,297	(2,647,668)
		<u>4,055,362</u>	<u>2,811,336</u>
Cash generated from operations			
Tax paid		(630,611)	(594,820)
		<u>3,424,751</u>	<u>2,216,516</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Proceeds from sale of tangible assets		-	166
Purchase of property, plant and equipment	7	(2,256,019)	(1,054,862)
Purchase of intangible assets	8	(15,984)	(89,915)
Interest received	4	691,040	8,056
		<u>(1,580,963)</u>	<u>(1,136,555)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Payment of lease liabilities		(687,189)	-
Interest paid	4	(1,158,644)	(1,049,019)
		<u>(1,845,833)</u>	<u>(1,049,019)</u>
Net cash used in financing activities			
Net cash and cash equivalents generated/(used) in year		<u>(2,045)</u>	<u>30,942</u>
Opening cash and cash equivalents		133,995	96,346
Effect of foreign exchange rates		(2,779)	6,707
		<u>129,171</u>	<u>133,995</u>
Closing cash and cash equivalents			
Presented by:			
Cash and cash equivalents	11	129,570	134,261
Bank loans and overdrafts		(399)	(266)
		<u>129,171</u>	<u>133,995</u>

FERRING LABORATORIES LIMITED

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

1. Statement of accounting policies

Basis of preparation

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

The company's registered number is 01508287 and the address of its registered office is Drayton Hall, Church Road, West Drayton, Middlesex. UB7 7PS.

Ferring Laboratories Limited is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and the subsidiaries (together referred to as the "Group").

The results have been prepared on the basis of the accounting policies adopted in the financial statements of Ferring Laboratories Limited for the year ended 31 December 2019. These policies have been applied consistently in all material respects in the preparation of these results unless otherwise stated. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these Group financial statements and have been applied consistently by Group entities.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis and on a historical cost basis. These consolidated financial statements are presented in Sterling, which is the Group's functional currency. All financial information has been rounded to the nearest £1.

No profit and loss account is presented by the company as permitted by Section 408 of the Companies Act 2006. For the year ended 31 December 2019 the company recorded a profit of £1,060,124 (2018: loss of £1,059,123).

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. As at 31 December 2019, the group had net liabilities of £14.4m (2018 - £16.5m). The group is dependant on the support of group parent company, Ferring BV. Ferring BV has confirmed that they intend to support the group for at least one year after these financial statements are signed. 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. The net liabilities position of the group is due to the £60.7m loan from another group company. This is due to be repaid on 31 December 2021 (see note 13). The group is part of a group cash pool which will cover any liabilities as they fall due.

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 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.

FERRING LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements the group had not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)

Amendment to IFRS 3 Business Combinations (effective 1 January 2020, not yet endorsed by EU)

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020)

Application of new standards in issue

For the preparation of these financial statements, the following new or amended standards have been adopted for the financial year beginning 1 January 2019:

IFRS 16 Leases

IFRIC 23 Uncertainty over Income Tax Treatments

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Except for the implementation of IFRS 16, the adoption of these standards has had no material impact on the 31 December 2019 financial statements.

Initial application of IFRS 16 'Leases'

The group 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 group. 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 group 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 £74,480.

The group 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 LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

Impact of transition

The incremental borrowing rate applied to lease liabilities recognised by the group at 1 January 2019 was 1.65%.

At 31 December 2018 the group'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 14.

Critical accounting judgements and key sources of estimation uncertainty

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 group 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 group's assets and liabilities as a result of the use of these estimates and assumptions.

The carrying value of the group's assets is based on an estimate of the valuation of investments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 31 December 2019. Subsidiaries are those entities that are controlled by the Company. Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Estimated unrealised losses are also eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Revenue

The group adopted IFRS 15 *Revenue from Contracts with Customers* in the prior year which consequently change the accounting policy for revenue recognition. This change in accounting policy has not resulted in any restatement or adjustment to the amounts recognised in the financial statements.

The accounting policies for the group's revenue are explained below.

Revenue is measured based on the consideration specified in a contract with a customer. Amounts collected on behalf of third parties are excluded. Revenue is recognised by the Group when it transfers control over a product or service to a customer.

The Group generates revenue from the sale of pharmaceutical products:

Sale of goods

Revenue from the sale of goods is recognised when the customer takes possession which is generally when the goods are delivered, the customer has full discretion over future use of the product, and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

FERRING LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

Retirement benefit costs

The Group made pension payments on behalf of certain of its full time UK employees through a money purchase (defined contribution) scheme. Contributions and pension costs are based on pensionable salary and are charged as an expense as they fall due. The Group has no further payment obligations once the contributions have been paid.

Internally generated intangible assets (development costs)

Expenditure on internally developed products can be judgemental and is only capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- The Group is able to see the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the subsidiaries functional and the Group's presentational currency.

b) *Transactions and balances*

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are translated into Sterling at the rate ruling on the date of the transaction. Exchange gains and losses arising on transactions are recognised in the consolidated income statement in the year they arise.

Leases

On commencement of a contract (or part of a contract) which gives the group the right to use an asset for a period of time in exchange for consideration, the group 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.

FERRING LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

Leases (continued)

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 Group 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.

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 Group's incremental borrowing rate at the date of the modification.

FERRING LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

Leases (continued)

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.

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.

Property, plant and equipment

Freehold and leasehold property, plant and machinery, fixtures, fittings and software, and assets under construction are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to administrative expenses so as to write off the cost of assets over their estimated useful economic lives, using the following bases:

Freehold land and leasehold property	40 or 50 years straight line method
Plant and machinery	Between 5 and 10 years straight line method
Fixtures and fittings	Between 5 and 10 years straight line method
Assets under construction	Not depreciated

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	Straight line over the lease term
Plant and machinery	Straight line over the lease term

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.

Intangibles

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 LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

Recognition of financial instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument, in accordance with IFRS 9 'Financial Instruments'.

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 maturities of less than three months.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

This is on a product costing basis for Ferring Pharmaceuticals Limited, and a standard cost plus manufacturing variance basis for Ferring Controlled Therapeutics Limited.

Work in progress is valued on the basis of direct costs plus attributable overheads based on a normal level of activity.

Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

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.

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.

FERRING LABORATORIES LIMITED

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

1. Statement of accounting policies (continued)

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.

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.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it is adjusted for items of income or expense that are taxable or tax deductible in other years (temporary differences) and items that are never taxable or deductible (permanent differences). Temporary differences principally arise from using different balance sheet values for assets and liabilities than their respective tax base values. Deferred tax is generally provided in respect of all these taxable temporary differences at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that sufficient taxable profits will be available against which the future reversal of the underlying temporary differences can be deducted. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not netted off against each other unless they relate to taxes levied by the same authority and arise in the same taxable entity or in different taxable entities that intend to recover the tax assets or settle the liabilities simultaneously on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is charged or credited to equity.

Government grants

Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

FERRING LABORATORIES LIMITED

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

2. Regional revenue information

Region	2019 £	%	2018 £	%
United Kingdom	65,797,780	84.9	61,249,134	88.5
Other European Union members	5,641,733	7.3	3,958,778	5.7
Rest of the world	6,015,565	7.8	4,050,956	5.8
	<u>77,455,078</u>		<u>69,258,868</u>	

100% of turnover is generated from the principal activity of the group.

3. Employee costs

	2019 £	2018 £
Wages and salaries	8,816,212	8,212,120
Social security costs	1,238,736	1,182,239
Pension costs	798,906	783,640
	<u>10,853,854</u>	<u>10,177,999</u>
Number of employees	2019 No.	2018 No.
Production staff	130	135
Administrative staff	47	49
	<u>177</u>	<u>184</u>
Directors	2019 £	2018 £
Wages and salaries	<u>64,682</u>	<u>57,514</u>

There were no directors who were members of the Company's defined contribution pension scheme (2018: none). Contributions were made to the director's personal pension scheme.

Key management personnel - remuneration

	2019 £	2018 £
Short term employee benefits	<u>788,101</u>	<u>841,453</u>

FERRING LABORATORIES LIMITED

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

4. Net finance costs

	2019 £	2018 £
Finance income		
Amounts receivable from group companies	691,040	6,535
Bank interest receivable	-	1,521
	<u>691,040</u>	<u>8,056</u>
Finance costs		
Other interest	1,524	1,071
Amounts payable to group companies	1,086,122	1,047,143
Interest on lease liabilities	70,998	-
Interest on taxation	-	805
	<u>1,158,644</u>	<u>1,049,019</u>
NET FINANCE COSTS	<u>467,604</u>	<u>1,040,963</u>

5. Profit before taxation

The following items have been charged/(credited) in arriving at the profit before taxation:

	2019 £	2018 £
Deferred grant income	(23,700)	(13,700)
Depreciation and amortisation:		
- property, plant and equipment owned	1,155,505	1,042,296
- intangible assets	27,939	40,629
- rights of use assets	761,669	-
Loss on disposal of tangible assets	428	17,449
Operating lease payments	1,358	978,864
Directors remuneration	64,682	57,514
Exchange losses	19,315	21,983
Research and development	4,411,601	4,418,462
Restructuring costs (recovered)/expensed	580,587	(118,762)
Auditor's remuneration charged in Income Statement:		
Audit of financial statements of the Company	10,494	8,296
Audit of financial statements of subsidiaries	81,921	66,289

The credit of restructuring costs in the prior year relates to the release of an over accrued cost incurred in the subsidiary company, Ferring Pharmaceuticals Limited.

FERRING LABORATORIES LIMITED

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

6. Tax charge

	2019 £	2018 £
Current tax charge	603,468	465,103
Adjustment in respect of prior periods	20,806	(18,574)
UK deferred tax	147,237	18,201
Tax charge for the year	771,511	464,730

Taxation has been calculated by applying the standard corporate tax rates ruling in the operating territories of the Group. The difference between the total current tax shown above and the amount calculated by applying the standard rates of corporation tax to the profit before tax is as follows:

	2019 £	2018 £
Profit before tax	2,883,878	1,235,800
Tax on United Kingdom profit at an average rate of 19% (2018: 19%)	547,937	234,802
Factors affecting charge:-		
Expenditure disallowed for taxation	226,223	248,995
Research and development	(27,662)	-
Higher/lower rate tax on overseas earnings		(493)
Adjustments to previous periods	25,013	(18,574)
Deferred tax not recognised		-
Tax charge for the year	771,511	464,730

FERRING LABORATORIES LIMITED

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

7. Property, plant and equipment

	Land & buildings right of use asset	Freehold and leasehold property	Plant and machinery	Plant & machinery right of use asset	Fixtures and fittings	Assets under construction	Total
		£	£		£	£	£
Cost							
At 1 January 2019	-	3,802,970	7,617,243	-	836,982	861,635	13,118,830
Additions	-	25,780	-	-	22,024	2,208,215	2,256,019
Additional right of use assets on transition to IFRS 16	3,647,657	-	-	673,278	-	-	4,320,935
Disposals	-	(95,042)	(24,732)	(61,530)	(8,377)	-	(189,681)
Transfers	-	553,008	1,262,498	-	91,014	(1,906,520)	-
At 31 December 2019	3,647,657	4,286,716	8,855,009	611,748	941,643	1,163,330	19,506,103
Accumulated depreciation							
At 1 January 2019	-	1,222,606	3,525,783	-	325,225	-	5,073,614
Charge for the year	491,819	252,984	801,990	269,850	100,531	-	1,917,174
On disposal	-	(95,042)	(24,732)	(61,530)	(7,949)	-	(189,253)
At 31 December 2019	491,819	1,380,548	4,303,041	208,320	417,807	-	6,801,535
Net book value							
At 31 December 2019	3,155,838	2,906,168	4,551,968	403,428	523,836	1,163,330	12,704,568
At 31 December 2018	-	2,580,364	4,091,460	-	511,757	861,635	8,045,216

FERRING LABORATORIES LIMITED

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

7. Property, plant and equipment (continued)

	Freehold and leasehold property	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£	£	£	£	£
Cost					
At 1 January 2018	3,606,908	6,992,192	968,325	705,477	12,272,902
Additions	19,151	-	71,867	963,844	1,054,862
Disposals	-	-	(208,934)	-	(208,934)
Transfers	176,911	625,051	5,724	(807,686)	-
At 31 December 2018	3,802,970	7,617,243	836,982	861,635	13,118,830
Accumulated depreciation					
At 1 January 2018	1,008,800	2,795,455	435,997	-	4,240,252
Charge for the year	213,806	730,328	98,162	-	1,042,296
On disposal	-	-	(208,934)	-	(208,934)
At 31 December 2018	1,222,606	3,525,783	325,225	-	5,073,614
Net book value					
At 31 December 2018	2,580,364	4,091,460	511,757	861,635	8,045,216
At 31 December 2017	2,598,108	4,196,737	532,328	705,477	8,032,650

FERRING LABORATORIES LIMITED

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

8. Intangible assets

	Computer software £
Cost	
At 1 January 2019	171,558
Additions	15,984
Disposals	(59,343)
At 31 December 2019	128,199
Accumulated amortisation	
At 1 January 2019	92,130
Charge for the year	27,939
Depreciation eliminated on disposals	(59,343)
At 31 December 2019	60,726
Net book value	
At 31 December 2019	67,473
At 31 December 2018	79,428
	Computer software £
Cost	
At 1 January 2018	267,513
Additions	89,915
Disposals	(185,870)
At 31 December 2018	171,558
Accumulated amortisation	
At 1 January 2018	219,756
Charge for the year	40,629
Disposals	(168,255)
At 31 December 2018	92,130
Net book value	
At 31 December 2018	79,428
At 31 December 2017	47,757

FERRING LABORATORIES LIMITED

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

9. Inventories

	2019 £	2018 £
Raw materials	774,456	990,237
Work in progress	667,471	390,149
Finished goods	13,603,851	11,457,718
	<u>15,045,778</u>	<u>12,838,104</u>

The cost of inventories recognised as an expense during the year was £47,179,672 (2018: £48,303,003).

During the year £269,221 (2018: £668,938) was recognised as an expense in the year in respect of the write-down of inventories.

10. Trade and other receivables

	2019 £	2018 £
Trade receivables	6,251,520	5,846,069
Amount due from parent undertaking	40,273,073	34,458,903
Prepayments and accrued income	360,135	86,164
Other receivables	739	764,756
	<u>46,885,467</u>	<u>41,155,892</u>

Trade receivables includes an amount of £2,868,699 (2018 - £nil) which is due after more than one year.

Amounts due from parent undertaking are unsecured, interest free and repayable on demand.

All trade and other receivables are financial assets. The book values of trade and other receivables are considered by the Board to be approximates of their fair value.

No interest is charged on late receivables. Before accepting any new customer the Company assesses the customer's credit quality and defines an appropriate credit limit by customer.

Ageing of trade receivables past due, but not impaired:

	2019 £	2018 £
Less than 30 days	7,169	746,990
	<u>7,169</u>	<u>746,990</u>

FERRING LABORATORIES LIMITED

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

10. Trade and other receivables (continued)

Movement in the allowance of bad debts:

	2019 £	2018 £
Balance at 1 January	(7,593)	(13,781)
Impairment losses recognised	-	5,557
Unused amounts reversed	7,593	8,224
Increase in provision	(953)	(7,593)
Balance at 31 December	(953)	(7,593)

Impairment losses and any subsequent reversals are recognised within administrative expenses on the Income Statement. The aging of impaired debts is as follows:

	2019 £	2018 £
Less than 30 days	7,784	-
30 to 60 days	-	1,788
60 to 90 days	338	5,805
90 to 120 days	-	-
Greater than 120 days	-	-
	8,122	7,593

11. Cash and cash equivalents

	2019 £	2018 £
Cash and cash equivalents	129,570	134,261

FERRING LABORATORIES LIMITED

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

12. Trade and other payables

	2019 £	2018 £
Trade payables	3,500,389	2,345,487
Other tax and social security	2,676,184	1,658,578
Other payables	209,676	69,367
Amount due to parent undertaking and other related parties	10,422,418	6,864,234
	<u>16,808,667</u>	<u>10,937,666</u>

The book values of trade and other payables are considered by the Board to be approximates of their fair value.

Amounts due to parent undertaking and other related parties are unsecured, interest free and repayable on demand.

13. Loans and borrowings

	2019 £	2018 £
Current		
Bank overdrafts	<u>399</u>	<u>266</u>
Non-current		
Amounts owed to subsidiary	<u>60,700,000</u>	<u>60,700,000</u>

Within the above, amounts owed to subsidiary relates to an intercompany loan from CPSI Scotland Limited of £60,700,000 (2018 - £60,700,000) bearing interest at 1.6% (2018 - 1.6%) and repayable on 31 December 2021.

FERRING LABORATORIES LIMITED

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

14. Lease liabilities

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December 2019 and the contractual maturity date.

Group

31 December 2019	Less than 1 year £	Between 1 and 5 years £	Later than 5 years £	Total £
Land and buildings	527,760	2,111,040	802,220	3,441,025
Plant and machinery	211,394	192,135	-	403,529
Future finance charges on lease liabilities	(30,085)	(170,169)	(10,549)	(210,803)
Present value of lease liabilities	709,069	2,133,006	791,676	3,633,751
1 January 2019	Less than 1 year £	Between 1 and 5 years £	Later than 5 years £	Total £
Land and buildings	527,760	2,111,040	1,319,400	3,958,200
Plant and machinery	190,796	212,887	-	403,683
Future finance charges on lease liabilities	(70,998)	(327,787)	(63,748)	(471,408)
Present value of lease liabilities	676,028	2,140,035	1,289,598	4,105,661
				Total
				£
Minimum lease payments under lease liabilities:				
Non-current				3,105,395
Current				739,154
				3,844,554

The rates of interest implicit in the Group's lease arrangements is not readily determinable and the incremental borrowing rate applied in calculating the lease liability is 1.87% on land and buildings and 1.65% for plant and machinery. The fair value of the Group's lease obligations is approximately equal to their carrying amount.

FERRING LABORATORIES LIMITED

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

14. Lease liabilities (continued)

Disclosure of lease liabilities at the year end due within one year and in more than one year are disclosed in statement of financial position.

Disclosure of the carrying amounts of right of use assets by class have been disclosed in note 7.

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 group 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 group 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	215,643
Between 2 and 5 years	185,057
	<hr/>
	4,314,920

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	3,393,104
Plant and machinery	97,984	1.65	412,558	412,558

FERRING LABORATORIES LIMITED

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

14. Lease liabilities (continued)

Lease commitments for short-term and low value assets at 31 December in accordance with IFRS16 were as follows:

	2019	2018
	£	£
Plant & machinery:		
expiring within 1 year	1,358	1,358
expiring between 2 and 5 years	-	1,358
	<u>1,358</u>	<u>2,716</u>

Disclosure for the comparative period is in accordance with IAS17.

15. Financial instruments

	2019	2018
	£	£
Financial assets at amortised cost		
Cash and bank balances	129,570	134,261
Trade and other receivables	46,885,467	40,483,073
	<u>47,015,037</u>	<u>40,617,334</u>
Financial liabilities at amortised cost		
Trade and other payables	21,258,849	15,726,196
Amounts owed to group undertakings	60,700,000	60,700,000
	<u>81,958,849</u>	<u>76,426,196</u>

16. Financial risk management

Financial instruments

The groups' objective is to finance the business through management of existing liquidity.

The groups' policy toward using financial instruments is to manage credit, liquidity and currency exposure risk without exposing the group to undue risk or speculation. The policy is kept under review by the directors.

Risk management

The risks arising from the group's operations and financial instruments are explained below.

The group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Liquidity risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

FERRING LABORATORIES LIMITED

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

16. Financial risk management (continued)

Credit risk (continued)

The Group operate a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available. Purchase limits are established for each customer, which presents the maximum open amount without requiring further approval.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Interest rate risk

The group is exposed to cash flow interest rate risk from long term borrowings with wider group members. The long term loan of £60,700,000 has a current interest rate of 1.6% in relation to £60,700,000. The risk of movement within this interest rate equates to £607,000 for each 100 basis point movement in interest rates charged.

Foreign exchange risk

Foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency.

The group is predominantly exposed to currency risk on trade transactions. The group manages foreign exchange risk at a local level by matching the currency in which revenue is generated with expenditure incurred.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to actively maintain cash balances.

The Board receives rolling cash flow projections on a monthly basis as well as information regarding cash balances.

The liquidity risk of each group entity is managed centrally by the wider group treasury function. Each operation has a facility with group treasury.

17. Deferred tax

The movement on deferred tax liability arose as follows:

	2019 £	2018 £
Brought forward	727,509	709,308
Charged/(credited) to tax charge in the income statement (See Note 7)	147,237	18,201
	<u>874,746</u>	<u>727,509</u>
	2019 £	2018 £
Deferred tax liability:-		
Accelerated capital allowances	895,970	742,062
Short term temporary differences	(21,224)	(14,553)
	<u>874,746</u>	<u>727,509</u>

FERRING LABORATORIES LIMITED

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

18. Government grants

	£
Government grants	
Balance at 1 January 2018	27,400
Amortisation in the year	(13,700)
	<hr/>
Balance at 31 December 2018	13,700
	<hr/>
Balance at 1 January 2019	13,700
Amortisation in the year	(13,700)
	<hr/>
Balance at 31 December 2019	-
	<hr/>

A further £10,000 grant was received in the year to support consultants for a building project. The funds were received and spent within the year and therefore no balance is outstanding at the year end.

19. Share capital

	Number of Ordinary £1 shares	£
Authorised		
200,000 ordinary shares of £1 each	200,000	200,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
120,001 ordinary shares of £1 each	120,001	120,001
	<hr/>	<hr/>

20. Related party transactions

Ferring Holding SA exhibits control over Ferring Laboratories Limited, from a management perspective, via the Board of Directors.

As at 31 December 2019 the groups had the following amounts due to/(from) the wider group, all of which have an ultimate parent company of Ferring Holding SA.

The amounts outstanding at the balance sheet date are:

Company name	2019 £	2018 £
FICSA	28,984,404	30,946,094
FICSA DK	-	21,777
CPSI (Scotland) Limited	(60,465,439)	(60,589,003)
Nordic Pharma	-	-
FICSA BV	337,191	(4,304,820)
Ferring FMBH	-	221,243
Ferring Pharmaceuticals BV	(74,461)	600,690
Ferring Pharmaceuticals (Asia) Company	240,580	1,245
Ferring Private Limited	75,557	(2,556)
Ferring IPC	52,822	
	<hr/>	<hr/>

FERRING LABORATORIES LIMITED

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

20. Related party transactions (continued)

During the year, finance costs were incurred from the following member companies:

	2019 £	2018 £
CPSI (Scotland) Limited	971,200	971,200
FICSA	114,921	75,943

During the year, finance income was received from the following member companies:

	2019 £	2018 £
FICSA	33,615	6,535

During the year, purchases were made from the following member companies

	2019 £	2018 £
Nordic pharma	65,227	133,936
Marshall BV	535,561	801,222

21. Events after the 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.

22. Ultimate controlling party

The immediate parent undertaking is Ferring BV, a company incorporated in the Netherlands.

The largest and smallest group to consolidate the results of the company and group 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.

The ultimate parent undertaking is Insula Corporation NV, a company registered in Curacao whose registered office address is NV, Pietermaai 15, Willemstad, Curacao, Netherland Antilles.

The ultimate controlling party is the Dr Frederik Paulsen Foundation.

FERRING LABORATORIES LIMITED

Registered Number 01508287

**PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Fixed assets			
Investments	24	43,703,497	43,703,497
Current assets			
Debtors	25	31,177,111	32,235,115
Creditors: amounts falling due within one year	26	(20,218)	(18,098)
Net current assets		31,156,893	32,217,017
Total assets less current liabilities		74,860,390	75,920,514
Creditors: Amounts falling due in more than one year	27	(60,700,000)	(60,700,000)
Net assets		14,160,390	15,220,514
Capital and reserves			
Called up share capital	28	120,001	120,001
Retained earnings		14,040,389	15,100,513
Total shareholders' funds		14,160,390	15,220,514

The loss of the Company for the year to 31 December 2019 was £1,060,124 (2018: loss of £1,059,123).

The notes on pages 40 to 45 form part of these financial statements. Approved by the Board of Directors on Oct 26, 2020..... and signed on its behalf by:



Dr P Wilden
Director

FERRING LABORATORIES LIMITED

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

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018	120,001	16,159,636	16,279,637
Loss after tax and total comprehensive expense for the year	-	(1,059,123)	(1,059,123)
At 31 December 2018	120,001	15,100,513	15,220,514
At 1 January 2019	120,001	15,100,513	15,220,514
Loss after tax and total comprehensive expense for the year	-	(1,060,124)	(1,060,124)
At 31 December 2019	120,001	14,040,389	14,160,390

FERRING LABORATORIES LIMITED

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

23. Accounting policies for Parent Company financial statements

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

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, as modified by the revaluation of derivative financial assets and financial liabilities at fair value through profit or loss, 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.
- 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.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts.

FERRING LABORATORIES LIMITED

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

23. Accounting policies for Parent Company financial statements (continued)

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' and the implementation of this new standard has had no material impact on the company or disclosure in the financial statements.

Going concern review

The Companies Act 2006 require directors' to confirm whether, after making appropriate enquiries, they have reasonable expectations that the Company has adequate financial resources to continue in operational existence for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group 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 group therefore continues to adopt the going concern basis in preparing its financial statements.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investment in subsidiary and associated undertakings

The interest of the Company in shares of subsidiary undertakings is stated at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is recognised by comparing the carrying amount to the higher of the recoverable amount and value in use.

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.

The annual impairment exercise is based on an estimate of the valuation of investments.

FERRING LABORATORIES LIMITED

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

24. Investments

	£
Cost	
At 1 January 2019 and 31 December 2019	72,726,498
Impairment	
At 1 January 2019 and 31 December 2019	29,023,001
Net book value	
At 31 December 2019	43,703,497
At 31 December 2018	43,703,497

Except where indicated below, all subsidiaries undertakings of the Company are wholly owned. The subsidiaries and associated undertakings of the Company at 31 December 2019 were as follows:-

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Ferring Asset Management Limited	England and Wales	Ordinary	100.00
Ferring Pharmaceuticals Limited	England and Wales	Ordinary	100.00
Ferring Controlled Therapeutics Limited	England and Wales	Ordinary	100.00
Ferring Controlled Therapeutics (Switzerland) SA*	Switzerland	Ordinary	100.00

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Ferring Asset Management Limited	holding company
Ferring Pharmaceuticals Limited	sales and marketing of pharmaceutical products
Ferring Controlled Therapeutics Limited	manufacture and sale of pharmaceutical products
Ferring Controlled Therapeutics (Switzerland) SA	management of commercial development of fertility products into the Ferring distribution network

* Ferring Controlled Therapeutics (Switzerland) SA is a 100% direct subsidiary of Ferring Controlled Therapeutics Limited.

The registered office of Ferring Asset Management Limited and Ferring Pharmaceutical's Limited is Drayton Hall, Church Road, West Drayton, Middlesex, UB7 7PS.

The registered office of Ferring Controlled Therapeutics Limited is 1 Redwood Place, East Kilbride, South Lanarkshire, G74 5PB.

The registered office of Ferring Controlled Therapeutics (Switzerland) SA is Chemin De La Vergognasaz 50, 1162 St Prex, Switzerland.

FERRING LABORATORIES LIMITED

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

25. Debtors

	2019 £	2018 £
Amount due from parent undertaking	31,177,111	32,235,115

Amounts due from parent undertaking are unsecured, interest free and repayable on demand.

26. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade payables	-	200
Amount due to parent undertaking	1,000	1,000
Other tax and social security	114	130
Accruals and deferred income	19,104	16,768
	20,218	18,098

Amounts due to parent undertaking are unsecured, interest free and repayable on demand.

27. Creditors: amounts falling due in more than one year

	2019 £	2018 £
Amounts due to group undertakings	60,700,000	60,700,000

The above amounts owed to group undertakings relates to an intercompany loan from CPSI Scotland Limited of £60,700,000 (2018 - £60,700,000) bearing interest at 1.6% (2018 - 1.6%) and repayable on 31 December 2021.

28. Share capital

	Number of Ordinary £1 shares	£
Authorised		
200,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid		
120,001 ordinary shares of £1 each	120,001	120,001