

Registered Number: 01508287
Registered in England and Wales

FERRING LABORATORIES LIMITED
REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



Ferring Laboratories Limited

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Ferring Laboratories Limited

Directors and Principal Advisers

Directors	Mrs J Duvall Dr P Wilden
Secretary	Mr R Creteigny
Registered Number	01508287
Registered Office	Drayton Hall Church Road West Drayton Middlesex UB7 7PS
Auditor	Deloitte LLP Abbots House Abbey Street Reading Berkshire United Kingdom RG1 3BD
Principal Bankers	HSBC Bank Plc Apex Plaza Reading Berkshire RG1 1AX

Ferring Laboratories Limited

Strategic report

The directors present the strategic report and consolidated financial statements for the year ended 31 December 2018.

Principal activities and strategic direction

The group is part of the 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 group's 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.

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 £69.3m (2017: £72.8m). The sales and marketing company continues to be successful in increasing access to its products. 2018 saw an improvement in sales volumes compared with the previous year while prices have reduced compared with previous years resulting in a decrease in Revenue to £60.5m (2017: £66.2m). 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 £8.8m (2017: £6.6m).

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.

Ferring Laboratories Limited

Strategic report

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.
- 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 Pharmaceutical Price Regulation scheme, 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 group's 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 group's 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 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 9% below budget due to lower spending in Marketing expenses to compensate the lower sales as well as due to restructuration of the marketing function in previous year decreasing the headcount resources
- Receivables in days were 35 days at the end of 2018 compared with a budget of 43 days.

Manufacturing business:

- Sales volume was 122% of budget due to the effect on previous year new product launch and higher volumes.
- Operating expenses were 8% 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 looks at a five year time horizon.

Financial position

As at the end of the financial year, the company had net liabilities of £16.7m 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 14). The company had no third party borrowings during or at the year end of 2018 (2017: £nil).

Ferring Laboratories Limited

Strategic report

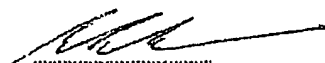
Future developments

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 (2017: £4m).

On behalf of the board



Dr P Wilden
Director

Date: 29-03-2019

Ferring Laboratories Limited

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The results for the year are set out on page 11.

The directors do not recommend payment of a final dividend (2017: £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	2018 £	2017 £
During the year the group made the following contributions:		
Charitable	346,798	370,875
Political	237,465	231,579

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

	2018 £	2017 £
University of Dundee	30,000	215,875
The Pushkin Trust	25,000	25,000
Royal Scottish Geographical Society	-	25,000
The Prince's Trust South West	-	55,000
Duke of Edinburgh Awards Trust	-	50,000
Duke of Edinburgh International Award Foundation	100,000	-
Naked Heart Foundation	100,000	-
Nuffield Health	30,000	-
The aggregate figure of political donations is made up as		
Donations to political parties: Liberal Democrats	237,465	231,579

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.

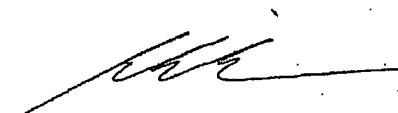
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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.

By Order of the Board



Dr P Wilden
Director

Date: 29-03-2019

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 2018 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 27.

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

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

We have nothing to report in respect of these matters.

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

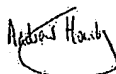
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Hornby (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date 29 March 2019

Ferring Laboratories Limited

Consolidated Income Statement and Statement of Comprehensive Income For the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue	2	69,258,868	72,814,590
Cost of sales		(51,767,510)	(51,927,311)
Gross profit		17,491,358	20,887,279
Distribution costs		(558,982)	(459,668)
Administrative expenses		(20,365,010)	(22,069,836)
Other operating income		5,709,397	4,776,073
Profit from operations		2,276,763	3,133,848
Finance costs	4	(1,040,963)	(1,029,112)
Profit before tax	5	1,235,800	2,104,736
Tax charge	6	(464,730)	(684,302)
Profit for the year		771,070	1,420,434
Exchange differences arising on translation of foreign operations		6,686	(6,405)
Total comprehensive income for the year		777,756	1,414,029

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

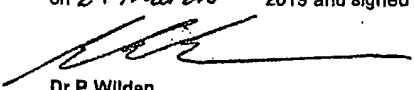
Ferring Laboratories Limited

Registered Number 01508287

**Consolidated Statement of Financial Position
As at 31 December 2018**

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	7	8,045,216	8,032,650
Intangible assets	8	79,428	47,757
		<u>8,124,644</u>	<u>8,080,407</u>
Current assets			
Inventories	9	12,838,104	7,739,151
Trade and other receivables	10	41,155,892	48,509,447
Cash and cash equivalents	11	134,261	126,889
		<u>54,128,257</u>	<u>56,375,487</u>
Total assets		<u>62,252,901</u>	<u>64,455,894</u>
Current liabilities			
Trade and other payables	12	(17,225,604)	(20,062,563)
Current income tax liability		(101,223)	(249,514)
		<u>(17,326,827)</u>	<u>(20,312,077)</u>
Total assets less current liabilities		<u>44,926,074</u>	<u>44,143,817</u>
Non-current liabilities			
Loans and borrowings	13	(60,700,000)	(60,700,000)
Deferred tax liabilities	16	(727,509)	(709,308)
Non current trade and other payables	17	(13,700)	(27,400)
		<u>(61,441,209)</u>	<u>(61,436,708)</u>
Total liabilities		<u>(78,768,038)</u>	<u>(81,748,785)</u>
Net liabilities		<u>(18,515,135)</u>	<u>(17,292,891)</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	18	120,001	120,001
Accumulated loss		(16,626,996)	(17,398,066)
Other reserves		(8,140)	(14,826)
Total equity		<u>(18,515,135)</u>	<u>(17,292,891)</u>

The financial statements were authorised for issue and approved by the Board of Directors on *29 March* 2019 and signed on its behalf by:


Dr P Wilden
Director

Ferring Laboratories Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2018

	Share capital	(Accumulated loss)	Other reserves	Total equity
	£	£	£	£
At 1 January 2017	120,001	(18,818,500)	(8,421)	(18,706,920)
Profit after tax and total comprehensive expense for the year	-	1,420,434	(6,405)	1,414,029
At 31 December 2017	120,001	(17,398,066)	(14,826)	(17,292,891)
At 1 January 2018	120,001	(17,398,066)	(14,826)	(17,292,891)
Profit after tax and total comprehensive expense for the year	-	771,070	6,686	777,756
At 31 December 2018	120,001	(16,626,996)	(8,140)	(16,515,135)

(Accumulated loss)/ earnings presents accumulated comprehensive income for the year and prior periods plus share-based payments adjustments and 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 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit before tax		1,076,630	2,104,736
Amortisation of intangible assets	8	40,629	38,889
Depreciation	7	1,042,296	1,044,352
Finance income	4	(8,056)	
Finance expense	4	1,049,019	1,029,112
Movement in grant provision	5	(13,700)	(13,700)
Loss on sale of tangible assets	5	17,449	(231)
		<u>3,204,267</u>	<u>4,203,158</u>
Cash flows from operations before changes in working capital			
(Increase)/decrease in inventories		(5,098,953)	1,889,494
Decrease/(Increase) in trade and other receivables		7,353,690	(1,188,801)
(Decrease) in trade and other payables		(2,647,668)	(2,551,745)
Cash generated from operations		<u>2,811,336</u>	<u>2,352,106</u>
Tax paid		(594,820)	(279,001)
Net cash generated from operating activities		<u>2,216,516</u>	<u>2,073,105</u>
Cash flows from investing activities			
Proceeds from sale of tangible assets		166	998
Purchase of property, plant and equipment	7	(1,054,862)	(1,072,446)
Purchase of intangible assets	8	(89,915)	
Interest received	4	8,056	
Net cash used in investing activities		<u>(1,136,555)</u>	<u>(1,071,448)</u>
Cash flows from financing activities			
Interest paid	4	(1,049,019)	(1,029,112)
Net cash used in financing activities		<u>(1,049,019)</u>	<u>(1,029,112)</u>
Net cash and cash equivalents generated/(used) in year		<u>30,942</u>	<u>(27,455)</u>
Opening cash and cash equivalents		<u>96,346</u>	<u>130,936</u>
Effect of foreign exchange rates		<u>6,707</u>	<u>(7,135)</u>
Closing cash and cash equivalents		<u><u>133,995</u></u>	<u><u>96,346</u></u>
Presented by:			
Cash and cash equivalents	11	134,261	126,889
Bank loans and overdrafts	12	(266)	(30,543)
		<u><u>133,995</u></u>	<u><u>96,346</u></u>

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

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 2018 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 2018. 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 2018 the company recorded a loss of £1,059,123 (2017: profit of £6,141,492).

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 2018, the group had net liabilities of £16.5m (2017 - £17.3m). 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.

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:

Standard	Key requirements	Effective date adopted by EU
IFRS 16	Leases — Introduces a single lessee accounting model and eliminates the previous distinction between an operating and a finance lease.	1 January 2019

IFRS 16 replaces IAS 17 and its interpretations, and the biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 will be adopted in the Group's consolidated financial statements when it becomes mandatory.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

1. Statement of accounting policies

New and revised IFRSs in issue but not yet effective (continued)

For the Group's non-cancellable operating lease commitments of £4,314,920 as at 31 December 2018 (2017: £4,790,889), preliminary assessments indicate that the lease arrangement will continue to meet the definition of a lease under IFRS 16. This will have an impact on the amounts recognised in the Group's financial statements, whereby the company will recognise a right-of-use asset and a corresponding liability in respect of these leases. The preliminary assessments have not yet identified the amount of the right-of-use asset and or corresponding lease liability which will be recognised, and neither has the net impact on the income statement of the reversal of the annual rental payments of approximately £980,000 and the corresponding replacement with a depreciation charge and interest expense.

First time adoption of IFRS 9

The company has applied IFRS 9 'Financial Instruments' (IFRS) for the first time in the year ended 31 December 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and measurement'. The significant changes are set out below.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows and/or sell the financial assets. All the company's financial assets were previously classified as loans and receivables under IAS 39 and are classified as assets at amortised cost under IFRS 9. The application of IFRS 9 has not changed the measurement of the company's financial liabilities or the company's accounting policies for the recognition or derecognition of financial instruments. The classification and measurement of financial assets under IFRS 9 is set out in the accounting policies below.

There were no adjustments recognised in prior periods or the current period arising on transition to IFRS 9.

First time adoption of IFRS 15

The group has adopted IFRS 15 *Revenue from Contracts with Customers* in these financial statements for the annual reporting period beginning 1 January 2018. Consequently the group has changed its 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. As the accounting policy change gives rise to no quantitative impact, no IFRS 15 transition note has been presented in these financial statements.

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

Revenue

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 2018

1. Statement of accounting policies (continued)

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 2018. 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 recognition

Revenue is measured at the fair value of the consideration specified in a contract with a customer. This represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when it transfers control over a product. This occurs upon accepted delivery by the customer.

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.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

1. Statement of accounting policies (continued)

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.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

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

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
-------------------	------------------------

Recognition of financial instruments

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

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.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

1. Statement of accounting policies (continued)

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.

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.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

1. Statement of accounting policies (continued)

Financial Instruments measured in accordance with IAS 39

The following accounting policy applies to the impairment of financial Instruments before 1 January 2018.

A provision for impairment was recognised in a separate loss allowance when there was objective evidence that amounts would not be recovered in accordance with original terms of the agreement, including customers with financial difficulties or in default on payments or customers expected to enter bankruptcy or liquidation. The carrying value of the receivable was reduced through the use of an allowance account and any impairment loss was recognised in profit or loss.

Amounts were written-off when repayments of principal and any interest were more than 90 days past due, or when the customer is put into bankruptcy or liquidation.

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 2018

2. Regional revenue Information

Region	2018 £	%	2017 £	%
United Kingdom	61,249,134	88.5	66,870,426	91.8
Other European Union members	3,958,778	5.7	2,363,718	3.3
Rest of the world	4,050,956	5.8	3,580,448	4.9
	<u>69,258,868</u>		<u>72,814,590</u>	

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

3. Employee costs

	2018 £	2017 £
Wages and salaries	8,212,120	8,654,012
Social security costs	1,182,239	1,315,176
Pension costs	783,640	834,158
	<u>10,177,999</u>	<u>11,803,346</u>
 Number of employees	 2018 No.	 2017 No.
Production staff	135	141
Administrative staff	49	51
	<u>184</u>	<u>192</u>
 Directors	 2018 £	 2017 £
Wages and salaries	57,514	59,199

As the aggregate director's remuneration does not exceed £200,000 in the current or prior year, the group is not required to disclose information regarding the highest paid director.

There were no directors who were members of the Company's defined contribution pension scheme (2017: none). Contributions were made to the director's personal pension scheme.

Key management personnel - remuneration

	2018 £	2017 £
Short term employee benefits	<u>841,453</u>	<u>818,209</u>

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

4. Net finance costs

	2018 £	2017 £
Finance income		
Amounts receivable from group companies	6,535	-
Bank interest receivable	1,521	-
	<u>8,056</u>	<u>-</u>
Finance costs		
Other interest	1,071	434
Amounts payable to group companies	1,047,143	1,027,840
Interest on taxation	805	838
	<u>1,049,019</u>	<u>1,029,112</u>
NET FINANCE COSTS	<u>1,040,963</u>	<u>1,029,112</u>

5. Profit before taxation

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

	2018 £	2017 £
Deferred grant income	(13,700)	(13,700)
Depreciation and amortisation:		
- property, plant and equipment owned	1,042,286	1,044,352
- intangible assets	40,629	38,889
(Loss)/profit on disposal of tangible assets	17,449	(231)
Operating lease payments	978,864	879,242
Directors remuneration	57,514	59,199
Exchange losses	21,983	20,826
Research and development	4,418,462	4,001,724
Restructuring costs (recovered)/expensed	(118,762)	573,475
Auditor's remuneration charged in Income Statement:		
Audit of financial statements of the Company	8,296	23,804
Audit of financial statements of subsidiaries	66,289	60,142
Non-audit fees for special projects, including data protection	31,525	7,500

Restructuring costs included above relate to redundancy costs incurred by the subsidiary company, Ferring Pharmaceuticals Limited. The credit this year relates to an over accrual last year being released.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

6. Tax charge

	2018 £	2017 £
Current tax charge	465,103	560,980
Adjustment in respect of prior periods	(18,574)	58,779
UK deferred tax	18,201	64,543
Tax charge for the year	464,730	684,302

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:

	2018 £	2017 £
Profit /(loss) before tax	1,235,800	2,104,736
Tax on United Kingdom profit at an average rate of 19% (2017: 19.25%)	234,802	405,162
Factors affecting charge:-		
Expenditure disallowed for taxation	248,995	222,037
Higher/lower rate tax on overseas earnings	(493)	4,684
Adjustments to previous periods	(18,574)	57,900
Deferred tax not recognised		(5,481)
Tax charge for the year	464,730	684,302

Following the enactment of Finance Act 2015 the main rate of corporation tax will reduce by 2% reaching 17% with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date and no material amount is expected to unwind prior to 1 April 2020, deferred tax is recognised at 17% in the current period.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

7. Property, plant and equipment

	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 2018

7. Property, plant and equipment (continued)

	Freehold and leasehold property	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£	£	£	£	£
Cost					
At 1 January 2017	3,521,190	6,603,956	946,255	432,774	11,504,175
Additions	-	-	29,278	1,043,168	1,072,446
Disposals	-	(269,517)	(34,202)	-	(303,719)
Transfers	85,718	657,753	26,984	(770,465)	-
At 31 December 2017	3,606,908	6,992,192	968,325	705,477	12,272,902
Accumulated depreciation					
At 1 January 2017	763,587	2,362,082	373,183	-	3,498,852
Charge for the year	245,213	702,123	97,016	-	1,044,352
On disposal	-	(268,750)	(34,202)	-	(302,952)
At 31 December 2017	1,008,800	2,795,455	435,997	-	4,240,252
Net book value					
At 31 December 2017	2,598,108	4,196,737	532,328	705,477	8,032,650
At 31 December 2016	2,757,603	4,241,874	573,072	432,774	8,005,323

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

8. Intangible assets

	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
Depreciation eliminated on disposals	(168,255)
At 31 December 2018	92,130
Net book value	
At 31 December 2018	79,428
At 31 December 2017	47,757
	Computer software £
Cost	
At 1 January 2017	307,218
Disposals	(39,705)
At 31 December 2017	267,513
Accumulated amortisation	
At 1 January 2017	220,572
Charge for the year	38,889
Disposals	(39,705)
At 31 December 2017	219,756
Net book value	
At 31 December 2017	47,757
At 31 December 2016	86,646

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

9. Inventories

	2018 £	2017 £
Raw materials	990,237	2,087,710
Work in progress	390,149	1,250,864
Finished goods	11,457,718	4,400,577
	<u>12,838,104</u>	<u>7,739,151</u>

The cost of inventories recognised as an expense during the year was £48,303,003 (2017: £47,477,568).

During the year £668,938 (2017: £150,397) was recognised as an expense in the year in respect of the write-down of inventories.

10. Trade and other receivables

	2018 £	2017 £
Trade receivables	5,846,069	7,270,277
Amount due from parent undertaking	34,458,903	40,661,752
Prepayments and accrued income	86,164	438,776
Other receivables	764,756	138,642
	<u>41,155,892</u>	<u>48,509,447</u>

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:

	2018 £	2017 £
Less than 30 days	746,990	-
	<u>746,990</u>	<u>-</u>

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

10. Trade and other receivables (continued)

Movement in the allowance of bad debts:

	2018 £	2017 £
Balance at 1 January	(13,781)	(12,850)
Impairment losses recognised	5,557	499
Unused amounts reversed	8,224	-
Increase in provision	(7,593)	(1,430)
Balance at 31 December	(7,593)	(13,781)

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

	2018 £	2017 £
Less than 30 days	-	13,781
30 to 60 days	1,788	-
60 to 90 days	5,805	-
90 to 120 days	-	-
Greater than 120 days	-	-
	7,593	13,781

11. Cash and cash equivalents

	2018 £	2017 £
Cash and cash equivalents	134,261	126,889

12. Trade and other payables

	2018 £	2017 £
Bank loans and overdrafts	266	30,543
Trade payables	2,345,487	2,108,538
Other tax and social security	1,658,578	1,833,730
Other payables	69,367	78,579
Accruals and deferred income	6,287,672	5,821,607
Amount due to parent undertaking and other related parties	8,864,234	10,189,566
	17,225,604	20,062,563

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.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

13. Loans and borrowings

	2018	2017
Amounts owed to group undertakings	60,700,000	60,700,000
	£	£
	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 (2017 - £60,700,000) bearing interest at 1.6% (2017 - 1.6%) and repayable on 31 December 2021.

14. Financial instruments

	2018	2017
Financial assets at amortised cost	134,261	126,889
Cash and bank balances	40,483,073	48,070,670
Trade and other receivables	40,617,334	48,197,559
Financial liabilities at amortised cost	15,726,196	18,228,832
Trade and other payables	60,700,000	60,700,000
Amounts owed to group undertakings	76,426,196	78,928,832

15. Financial risk management

Financial instruments
The group's objective is to finance the business through management of existing liquidity.
The group's 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

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

15. Financial risk management (continued)

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.

The Group operates 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.

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

16. Deferred tax

The movement on deferred tax liability arose as follows:

	2018 £	2017 £
Brought forward	709,308	644,765
Charged/(credited) to tax charge in the income statement (See Note 7)	18,201	64,543
	<u>727,509</u>	<u>709,308</u>
	2018 £	2017 £
Deferred tax liability:-		
Accelerated capital allowances	742,062	709,308
Short term temporary differences	(14,553)	-
	<u>727,509</u>	<u>709,308</u>

17. Non current trade and other payables

	£
Government grants	
Balance at 1 January 2017	41,100
Amortisation in the year	(13,700)
	<u>27,400</u>
Balance at 31 December 2017	
	<u>27,400</u>
Balance at 1 January 2018	27,400
Amortisation in the year	(13,700)
	<u>13,700</u>
Balance at 31 December 2018	
	<u>13,700</u>

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

18. 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

19. 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 2018 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	2018 £	2017 £
FICSA	30,946,094	-
FICSA DK	21,777	-
CPSI (Scotland) Limited	(60,589,003)	(60,700,000)
Nordic Pharma	-	35,979
FICSA BV	(4,304,820)	-
Ferring FMBH	221,243	-
Ferring Pharmaceuticals BV	600,690	-
Ferring Pharmaceuticals (Asia) Company	1,245	-
Ferring Private Limited	(2,558)	-

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

	2018 £	2017 £
CPSI (Scotland) Limited	971,200	971,200
FICSA	75,943	-

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

	2018 £	2017 £
FICSA	6,535	-

Ferring Laboratories Limited

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2018

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

	2018	2017
	£	£
Nordic pharma	133,936	170,462
Marshall BV	801,222	382,330

20. Operating lease commitments

At 31 December 2018, the Group had the following total commitments under non-cancellable operating leases:

	Land and buildings	
	31 December 2018	31 December 2017
	£	£
Payments due:		
Within one year	527,760	527,760
Within 2 to 5 years	2,111,040	2,111,040
After 5 years	1,275,420	1,803,180
	<u>3,914,220</u>	<u>4,441,980</u>

	Plant and machinery	
	31 December 2018	31 December 2017
	£	£
Payments due:		
Within one year	215,643	242,682
Within 2 to 5 years	185,057	106,227
	<u>400,700</u>	<u>348,909</u>

21. 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 whose registered address is Ferring International Centre, SA Chemin de la Vergognausaz 50, 1162 St-Prex, Switzerland.

The ultimate parent undertaking is Insula Corporation NV, a company registered in Curacao whose registered address is NV, Pietermaal 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 2018**

	Notes	2018 £	2017 £
Fixed assets			
Investments	23	43,703,497	43,703,497
Current assets			
Debtors	24	32,235,115	33,294,383
Creditors: amounts falling due within one year	25	(18,098)	(18,243)
Net current assets		32,217,017	33,276,140
Total assets less current liabilities		75,920,514	76,979,637
Creditors: Amounts falling due in more than one year	26	(60,700,000)	(60,700,000)
Net assets		15,220,514	16,279,637
Capital and reserves			
Called up share capital	27	120,001	120,001
Retained earnings		15,100,513	16,159,636
Total shareholders' funds		15,220,514	16,279,637

The loss of the Company for the year to 31 December 2018 was £1,059,123 (2017: profit of £6,141,492).

The notes on pages 34 to 39 form part of these financial statements. Approved by the Board of Directors on 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 2018**

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2017	120,001	10,018,144	10,138,145
Profit after tax and total comprehensive expense for the year	-	6,141,492	6,141,492
At 31 December 2017	120,001	16,159,636	16,279,637
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

Ferring Laboratories Limited

Parent Company notes to the financial statements For the Year Ended 31 December 2018

22. 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 2018

Going concern review

The Companies Act 2006 requires 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 2018

23. Investments

	£
Cost	
At 1 January 2018 and 31 December 2018	72,726,498
Impairment	
At 1 January 2018 and 31 December 2018	29,023,001
Net book value	
At 31 December 2018	43,703,497
At 31 December 2017	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 2018 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 Vergognausaz 50, 1162 St Prex, Switzerland.

Ferring Laboratories Limited

Parent Company notes to the financial statements For the Year Ended 31 December 2018

24. Debtors

	2018 £	2017 £
Amount due from parent undertaking	32,235,115	33,294,383

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

25. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade payables	200	-
Amount due to parent undertaking	1,000	1,000
Other tax and social security	130	829
Accruals and deferred income	16,768	16,414
	18,098	18,243

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

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

	2018 £	2017 £
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 (2017 - £60,700,000) bearing interest at 1.6% (2017 - 1.6%) and repayable on 31 December 2021.

27. 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