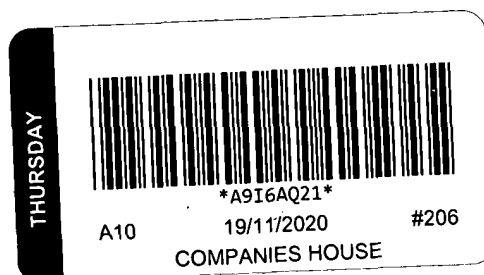


Registered number
01557088

Britannia Pharmaceuticals Limited
Annual Report and Financial Statements
For the year ended 31 December 2019



Britannia Pharmaceuticals Limited
Report and financial statements
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Britannia Pharmaceuticals Limited
Company information

Directors

C Dengler
R Wood

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Registered office

200 Longwater Avenue
Green Park
Reading
Berkshire
RG2 6GP

Registered number

01557088

Britannia Pharmaceuticals Limited
Strategic report
For the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Business review

The profit for the financial year amounted to £23.3m (2018 - £20.1m)

The Company's key financial and other performance indicators during the year were as follows:

	2019 £000	2018 £000	YoY %
Revenue	63,293	61,535	2.9%
Gross profit	43,808	44,315	-1.1%
Profit after tax	23,328	20,131	15.9%
Shareholders' funds	38,036	45,268	-16.0%
Average number of employees	77	85	-9.4%

Growth in turnover of 2.9% to £63.3m in 2019 (£61.5m in 2018) has been primarily driven by growth of Royalty Income from the Apokyn brand in the United States, which has benefited both from a price rise and favourable exchange rates against the US Dollar.

Gross margin has decreased to 69% for 2019 (72% in 2018) as a result of the pound weakening against the Euro in 2019.

Profit on ordinary activities has increased due to higher sales and reduction in costs.

The Company carefully manages its working capital to enable it to support its future development projects.

The shareholders funds as at 31 December 2019 amounted to £38,036k (2018 amounted to £45,268k)

Future Developments

The company continues to invest in research and development and investigates licensing opportunities in its field.

The directors are monitoring developments following the 'Brexit' decision. The directors will continue to monitor and take any necessary action as and when required.

The directors have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our production process. At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Britannia Pharmaceuticals Limited
Strategic report (continued)
For the year ended 31 December 2019

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key commercial risks inherent in the Company's sphere of activity include:

- Advances in drug technology rendering our products obsolete;
- Research or experience demonstrating that one or more of the ingredients in our products is harmful;
- Regulatory authorities withdrawing a license or permit; and
- Loss of key personnel with specialist knowledge.

We seek to manage these risks by operating with clearly defined procedures, by adhering to current good manufacturing practice and by closely monitoring technical and regulatory developments.

Price Risk

Britannia sells branded generic pharmaceutical products. Although not as susceptible to price risk as other generic products due to the niche nature of our portfolio, Britannia monitors stock levels and reviews the commercial environment to reduce any risk.

Credit Risk

To mitigate this risk, credit checks are carried out on all customers. These tend to be primarily pharmaceutical wholesalers/distributors. The Company has little experience of bad debts.

Foreign Exchange Risk

The Company makes both sales and purchases in foreign currencies. Exposure to foreign exchange risk is reduced as assets/liabilities in each foreign currency, principally Euros, are broadly matched with an equivalent liability/asset of the same foreign currency.

Cash Flow Risk

The Company's policy is to finance working capital or fixed assets through retained earnings or through borrowings from Group companies at the prevailing market interest rates. The treasury function is managed for the STADA Arzneimittel AG as a whole by a parent company in Germany.

Britannia Pharmaceuticals Limited
Strategic report (continued)
For the year ended 31 December 2019

Section 172(1) Statement:

Statement of Directors Duties

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either internally through our parent company or network of Group companies, or externally through an independent advisor.

The following paragraphs summarise how the Directors fulfil their duties:

Strategic Priorities:

The company is a sector leading speciality pharmaceutical company, developing and commercialising drug device combinations for movement disorders through its speciality brands, and provides global marketing, training and an unrivalled nurse service across four continents.

The company intends to build on its existing infrastructure within the central nervous system (CNS) space, growing organically across all markets, whilst targeting third party products which can be added to its synergistic portfolio to drive EBITDA growth.

Innovation:

The company is committed to developing drug device combination therapies that are simple to use and make life easier for patients and carers. Vast experience and deep knowledge of Parkinson's disease has enabled the pioneering development of drug delivery systems.

The Company continues to invest in research and development and investigate market opportunities within the broader field of neurology with the aim of bringing new products to market.

Business Relationships:

The directors enable and empower the business to understand and successfully engage with a wide range of customers, suppliers and consumers.

The company maintains a broad spectrum of customers that encompasses pharmacies, distributors, warehouses and a wide range of National Health Service customers ranging from individual hospitals and clinics to hospital trusts.

Britannia Pharmaceuticals Limited
Strategic report (continued)
For the year ended 31 December 2019

Quality:

The company maintains strict Quality Assurance controls and also operates processes whereby patients can raise any product complaint or suspected adverse event with the company 24 hours a day.

Risk Management:

We provide products to our customers, which operate in very regulated environments. To ensure that the company remains compliant in this complex environment, it is vital that we effectively identify, evaluate, manage and mitigate the risks we face, and ensure that our approach to risk management evolves to meet these challenges.

For additional information on our approach to risk management please refer to the strategic report.

Employee Involvement and Culture:

Directors' communicate with the employees through regular town hall meetings disclosing plans for the future of the company along with current developments. Employees are encouraged to participate in these meetings and provide content and ask additional questions.

Our employees are encouraged to develop their roles and careers through extensive training plans and personal development plans.

Our employees are also set objectives each year and are encouraged to align these to the four company values, Integrity, Entrepreneurship, Agility and One Team.

Community and Environment:

The Company is committed to reducing its carbon footprint and is involved in local recycling schemes. We are based in an energy conscious business park and are constantly looking for ways to reduce our energy consumption and waste.

Our employees are also actively involved in volunteering schemes in the local community.

This report was approved by the board and signed on its behalf by:

Robert Wood
Director



Date: 21/10/2020

Britannia Pharmaceuticals Limited
Report of the Directors
For the year ended 31 December 2019

The directors present their audited report, together with the financial statements and auditors report, for the year ended 31 December 2019.

Principal Activity

The principal activity of the Company is the distribution and marketing of pharmaceutical products.

Dividends

The Directors have recommended and paid an interim dividend of £30,559,980 (2018 - £15,806,000) during the year. The Directors do not recommend the payment of a final dividend. (2018 – No final dividend)

Directors

The Directors who served during the year and up to the date of this report were:

C Dengler

R Wood

Employee Development

Development of employees in the Company is primarily supported and promoted with training and advanced professional training.

Environment

In general, the Company commits itself to the protection of people and the environment and works continuously to improve procedures and processes in order to minimise negative environmental impact and health risks. All employees in the Company are urged to take responsibility for dealing with these resources in a conserving, sustainable manner and are obliged to comply with the relevant regulations on the protection of people and the environment.

Equal Opportunity

The Company is committed to equal opportunities for all, free from discrimination and harassment, and values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Research and Development

The Company continues to invest in research and development in the UK. During the year, the Company expensed £3,188,000 (2018 - £6,749,000) and capitalised £1,283,000 (2018 - £5,091,000) on research and development. Please see reference to this in the strategic report under future developments.

Going Concern

The Company is expected to be profitable and cash generative for the foreseeable future. The Company has no third party debt and positive net current assets. Therefore, the Directors have a reasonable expectation that the Company will have adequate resources to continue for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparation of the annual report and financial statements.

Britannia Pharmaceuticals Limited
Report of the Directors
For the year ended 31 December 2019

Events after the end of the Reporting Period

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our production process. At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

Under section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the Registrar, whichever is earlier. PricewaterhouseCoopers LLP has indicated its willingness to continue in office.

This report was approved by the board and signed by its order

Robert Wood
Director



Date: 21/10/2020

Britannia Pharmaceuticals Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

In the case of each director in office at the date the Report of the Directors is approved:

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

Independent auditors' report to the members of Britannia Pharmaceuticals Limited

Report on the audit of the financial statements

Opinion

In our opinion, Britannia Pharmaceuticals Limited's financial statements:

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

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Britannia Pharmaceuticals Limited

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
22 October 2020

Britannia Pharmaceuticals Limited
Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Continuing Operations			
Revenue	4	63,293	61,535
Cost of sales		(19,485)	(17,220)
Gross Profit		<u>43,808</u>	<u>44,315</u>
Administrative expenses		(15,056)	(19,721)
Operating Profit	5	<u>28,752</u>	<u>24,594</u>
Finance costs		(143)	(40)
Finance Costs - net		<u>(143)</u>	<u>(40)</u>
Profit before Taxation		<u>28,609</u>	<u>24,554</u>
Income tax expense	8	(5,281)	(4,423)
Profit for the Financial Year		<u>23,328</u>	<u>20,131</u>
Total Comprehensive Income for the Year		<u><u>23,328</u></u>	<u><u>20,131</u></u>

The accompanying notes are an integral part of these Financial Statements.

Britannia Pharmaceuticals Limited
Statement of Financial Position
As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	19,560	19,578
Property, plant & equipment	10	2,070	1,864
Right of use assets	11	1,966	-
Investments	12	70	70
Deferred tax assets	8	310	269
		<u>23,976</u>	<u>21,781</u>
Current assets			
Inventories	13	2,453	2,913
Trade and other receivables	14	30,739	38,782
Cash and cash equivalents		4,621	4,418
		<u>37,813</u>	<u>46,113</u>
Total assets		<u>61,789</u>	<u>67,894</u>
Equity and liabilities			
Equity			
Called up share capital	17	1	1
Retained earnings		38,035	45,267
Total equity		<u>38,036</u>	<u>45,268</u>
Non current liabilities			
Provision for liabilities	16	108	140
Lease Liabilities	11	1,623	-
		<u>1,731</u>	<u>140</u>
Current liabilities			
Trade and other payables	15	20,600	21,697
Current tax		1,422	789
Total current liabilities		<u>22,022</u>	<u>22,486</u>
Total liabilities		<u>23,753</u>	<u>22,626</u>
Total equity and liabilities		<u>61,789</u>	<u>67,894</u>

The financial statements of Britannia Pharmaceuticals Limited, registered number 01557088, were approved by the directors and authorised for issue on 21/10/2020, and are signed on their behalf by:

R Wood
Director



The accompanying notes are an integral part of these financial statements.

Britannia Pharmaceuticals Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Called up Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2018	1	40,941	40,942
Profit for the financial year	-	20,131	20,131
Total Comprehensive Income for the Financial Year	-	20,131	20,131
Dividends (Note 18)	-	(15,805)	(15,805)
Total transactions with owners, recognised directly in Equity	-	(15,805)	(15,805)
Balance as at 31 December 2018	1	45,267	45,268
Balance at 1 January 2019	1	45,267	45,268
Profit for the financial year	-	23,328	23,328
Total Comprehensive Income for the Financial Year	-	23,328	23,328
Dividends (Note 18)	-	(30,560)	(30,560)
Total transactions with owners, recognised directly in Equity	-	(30,560)	(30,560)
Balance as at 31 December 2019	1	38,035	38,036

The accompanying notes are an integral part of these Financial Statements.

1 General Information

The Company is a private company, limited by shares, incorporated and domiciled in England, registration number 01557088. The Company is involved in the distribution and marketing of pharmaceutical products.

2 Summary of Significant Accounting Policies

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

The directors regularly review the financial forecast for the forthcoming financial year and cash flow projections for a rolling 12 month period. Significant focus is placed on trading and sales information, with the lead time from booking to departure allowing the directors to foresee and better manage future financial performance.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Financial Statements have been prepared under the historical cost convention, and in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, Share based payment;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- Paragraphs 38 of IAS 1 Presentation of Financial Statements comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets
- The following paragraphs of IAS 1, Presentation of financial statements:
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- The requirements of IAS 7 Statement of Cash Flows;
- Paragraphs 30 and 31 of IAS 8, Accounting policies, changes in accounting estimates and errors;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.

Consolidation

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These Financial Statements therefore present information about the Company as an individual undertaking and not about its group. Publicly available Financial Statements can be obtained from STADA Arzneimittel AG at the following address. Bad Vilbel, Frankfurt, Germany.

2.2. Going Concern

After making appropriate enquiries the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparation of the Financial Statements.

2 Summary of Significant Accounting Policies (continued)

2.3. New and Amended Standards

New and amended standards adopted by the Company:

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial standards - see note 22.

There are no other amendments to accounting standards of IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

The company has adopted IFRS16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.18.

2.4. Foreign Currencies

(a) Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency').

The Financial Statements are presented in Pound Sterling (£'000), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5. Intangible Assets

Purchased intangible assets with specific useful lives are recognised at cost and amortised on a straight-line basis over the period of useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, copyrights and similar rights is no longer than 20 years.

Development Expenses

Development expenses consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at the Company is to obtain national or multinational regulatory drug approval. Development costs relative to obtaining approvals for existing drugs in new territories or with new delivery pathways by the Company result in capitalisation as intangible assets if all the following pre-conditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- The intention and ability exist as well as the necessary resources to complete the asset and to use or sell it in the future.
- The intangible asset provides the Company with a future economic benefit.
- It must be possible to reliably calculate the development costs of the intangible asset

The Company immediately recognises development costs not eligible for capitalisation as an expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance in existing territories where products are approved for sale.

Items of intangible fixed assets are depreciated according to their useful life using the straight-line method as follows:

- Apo-go Brand - 20 years
- Trademarks - 10 years

2 Summary of Significant Accounting Policies (continued)

2.6. *Tangible Fixed Assets*

Tangible fixed assets are reported at cost less depreciation and any impairment losses. Depreciation shall begin when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating.

Subsequent costs are capitalised where a future economic benefit will flow to the Company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance which do not represent significant replacement investments are recognised as expenses in the financial year in which they are incurred. Where a significant part of a tangible fixed asset is replaced, the remaining carrying amount of the asset replaced is derecognised. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

Items of tangible fixed assets are depreciated according to their useful life using the straight-line method as follows:

- Leasehold improvements – over the length of lease
- Machinery and equipment - 2 and 5 years

2.7. *Impairment of Non-Financial Assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

2.8. *Financial Instruments*

Classification

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial instruments at initial recognition. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Recognition and Measurement

At initial recognition, the Company classified its financial instruments in the following categories:

(a) Financial Assets at amortised costs

The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as fair value through profit or loss):

- *The asset is held within a business model whose objective is to collect the contractual cash flows, and*
- *The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.*

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

2 Summary of Significant Accounting Policies (continued)

(b) Financial Liabilities at amortised cost

Financial liabilities at amortised cost include other payables and amounts due to related parties. The financial liabilities are initially recognised at the amount to be required to be paid, less, when material, a discount to reduce the payables to fair value. Financial liabilities are subsequently measured at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

2.9. Impairment of Financial Assets

(a) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or a group of financial assets is impaired. Impairment losses are only incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and has an impact on the estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

2.10. Investment in Joint Operations

Investment in joint operations are held at cost less accumulated impairment losses.

2.11. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14. Share Capital

Ordinary shares are classified as equity.

2.15. Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (continued)

2.16. Current and Deferred Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

2.17. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods and services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Royalties and receivables from sales of the Company's licensed and owned products made by third parties are recognised when goods have been dispatched or services rendered in accordance with the underlying contractual agreement.

2.18. Leases

The company leases an office, various equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration of the contract to the lease and non-lease components based on their relative standalone prices. However, for the lease of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The company has adopted IFRS16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

2 Summary of Significant Accounting Policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for the terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The company has chosen not to revalue the right-of-use building held by the company.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit and loss. Short-term leases are lease with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.

As explained in notes 2.3 and 21, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 22. Prior to this change all leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit and loss on a straight-line basis over the period of the lease.

3 Critical Accounting Estimates and Judgements

The preparation of the Financial Statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the reporting date. Actual results may vary from the estimates used. The most significant judgement made is as follows:

Recoverability of Development Expenses

The assessment of the ultimate recoverability of development expenses (note 9) requires significant judgement. In making the judgement, Management assesses whether it will be technically possible to complete the asset that sufficient financial resources will be available, that regulatory approval is highly probable and the future economic benefits will exceed development expenditure when the product becomes commercially available.

If one or more of the above conditions are not met, the Company would be required to recognise an impairment charge for the expenditure incurred to date.

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions,

- To determine the incremental borrowing rate, the company:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Extension options in offices and vehicles have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

4 Revenue

Revenue is earned from third party royalty income and product sales.

	2019 £000	2018 £000
Royalties	37,337	36,096
Product Sales	25,956	25,439
	<u>63,293</u>	<u>61,535</u>
Turnover by Destination:		
UK	12,970	12,657
Europe	8,003	8,124
ROW	42,320	40,754
	<u>63,293</u>	<u>61,535</u>

Britannia Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 31 December 2019

5 Operating Profit

Operating profit has been arrived at after (crediting)/charging:

	2019	2018
	£000	£000
Research & Development Expenses	3,188	6,749
Net foreign exchange loss/(gain)	323	(205)
Depreciation of tangible fixed assets	877	759
Depreciation of right of use assets (see note 11)	421	-
Amortisation of intangible assets	1,301	635
Staff costs (see note 6)	6,356	6,523
Audit fees payable to the Company's auditors	33	54
Non Audit fees payable to the Company's auditors	6	10

6 Staff costs

	2019	2018
	£000	£000
Wages and salaries	5,409	5,426
Social security costs	548	706
Other pension costs	399	391
	6,356	6,523

The average monthly number of persons (including directors) employed by the Company during 2019 and 2018 was 77 and 85, respectively.

Employed persons split:

	2019	2018
	Number	Number
Cost of sales	9	8
Marketing	5	5
Selling	30	31
General Admin	15	16
Research & development	18	25
	77	85

7 Directors' Emoluments

The Directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	2019	2018
	£000	£000
Salaries and other short-term benefits	329	296
Employer's pension contributions	22	21
	351	317

One Director did not receive emoluments for his services, as he serves a number of companies in the Group. The aggregate emoluments of the highest paid Director during the year ended 31 December 2019 was £351k (2018: £317k).

Britannia Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 31 December 2019

8 Income Tax Expense

The analysis below is in reference to the total tax charge included in the statement of comprehensive income.

	2019	2018
	£000	£000
Current Tax		
UK Corporation Tax on profit for the year	1,099	789
Adjustment in respect of previous periods	(155)	(349)
Payment for group relief of losses at 19% (2018: 19%)	4,378	3,977
Total current tax	5,322	4,417
Deferred Tax		
Origination and reversal of timing differences – current year	(24)	6
Adjustments in respect of previous periods	(17)	-
Tax on Profit	5,281	4,423

Factors affecting the tax charge for the year:

For the years ended 31 December 2019 and 2018, the Company was subject to UK Corporation Tax at a standard rate of 19%. Tax expense differs from the amounts computed by applying statutory UK tax rates as follows:

	2019	2018
	£000	£000
Profit before tax	28,609	24,554
Charge on profit on ordinary activities at standard rate of tax at 19%	5,436	4,665
Effect of:		
Non-deductible losses and expenses	7	82
R&D expenditure credits	8	26
Adjustments in respect of prior periods	(155)	(349)
Adjustments in respect of prior periods – Deferred Tax	(17)	-
Temporary differences not recognised in computation	-	-
Adjust closing deferred tax to average rate (19%)	-	(1)
Adjust opening deferred tax to average rate (19%)	-	-
Other timing differences	3	-
Total Tax Expense	5,281	4,423

The standard UK corporation tax rates enacted and substantively enacted as at 31 December 2019 are as follows:

- 19% with effect from 1 April 2017
- 17% with effect from 1 April 2020

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date. Therefore the deferred tax assets at 31 December 2019 have been calculated at the rate of between 17% and 19%.

Recognised deferred tax assets and liabilities on a gross basis are summarised as follows:

	2019	2018
	£000	£000
Assets/(liabilities):		
Accelerated capital allowances and other timing differences	275	204
Provisions	35	65
Net deferred tax asset	310	269
1 January	269	275
Adjustment in respect of prior years	17	-
Credit for the year	24	(6)
31 December	310	269

Management considers to what extent it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible.

Britannia Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 31 December 2019

9 Intangible assets

	Development Expenses £000	Purchased Intangibles £000	Software £000	Total £000
Cost				
At 1 January 2019	20,504	10,262	34	30,800
Additions	419	864	-	1,283
At 31 December 2019	<u>20,923</u>	<u>11,126</u>	<u>34</u>	<u>32,083</u>
Accumulated Amortisation				
At 1 January 2019	5,724	5,464	34	11,222
Charge for the year	524	777	-	1,301
At 31 December 2019	<u>6,248</u>	<u>6,241</u>	<u>34</u>	<u>12,523</u>
Net Book Value				
At 31 December 2018	<u>14,780</u>	<u>4,798</u>	<u>-</u>	<u>19,578</u>
At 31 December 2019	<u>14,675</u>	<u>4,885</u>	<u>-</u>	<u>19,560</u>

Amortisation of intangible assets is recorded in cost of sales in the Statement of Comprehensive Income. The impairment charge to intangible assets is recorded in operating expenses in the Statement of Comprehensive Income.

During the year there have been a number of reviews of development projects and the costs that have been capitalised. The impairment charge for the year is as a result of these reviews and consists of costs that are no longer deemed appropriate to capitalise or development projects that are no longer on-going.

10 Property, plant and equipment

	Leasehold improvements £000	Machinery & equipment £000	Total £000
Cost			
At 1 January 2019	815	2,932	3,747
Additions	-	1,377	1,377
Disposals	-	(1,255)	(1,255)
At 31 December 2019	<u>815</u>	<u>3,054</u>	<u>3,869</u>
Depreciation			
At 1 January 2019	301	1,582	1,883
Charge for the year	82	795	877
Disposals	-	(961)	(961)
At 31 December 2019	<u>383</u>	<u>1,416</u>	<u>1,799</u>
Net book value			
At 31 December 2018	<u>514</u>	<u>1,350</u>	<u>1,864</u>
At 31 December 2019	<u>432</u>	<u>1,638</u>	<u>2,070</u>

Britannia Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 31 December 2019

11 Leases

The company has lease contracts for an office, some equipment and vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the statement of financial position

	2019	2018
	£000	£000
Right of use assets:		
Buildings	1,890	-
Equipment	21	-
Vehicles	55	-
At 31 December 2019	<u>1,966</u>	<u>-</u>
Lease Liabilities:		
Current	460	-
Non-current	1,623	-
	<u>2,083</u>	<u>-</u>

Amounts recognised in the income statement

	2019	2018
	£000	£000
Depreciation charge of right-of-use assets:		
Buildings	360	-
Equipment	13	-
Vehicles	48	-
	<u>421</u>	<u>-</u>
Interest charge		
Interest Expense (included in finance cost)	137	-
	<u>137</u>	<u>-</u>

The total cash outflow for leases in 2019 was £558k, (2018: £0k)

12 Investments

	Associated Undertakings	Joint Operation	Total
	£000	£000	£000
At 1 January 2019 and 31 December 2019	<u>-</u>	<u>70</u>	<u>70</u>

On 16 March 2015, the Company entered into an agreement with US WorldMed's LLC (USWM) to establish a joint affiliate under common control (namely BRITUSWIP). BRITUSWIP has the same registered address as Britannia as noted on Page 1 of these financial statements.

An Investment in associates comprises of CNRD 2002 Limited a company limited by guarantee and incorporated in the United Kingdom. The address of the registered office of CNRD 2002 Limited is 7 Bell Yard, London, England, WC2A 2JR.

The company owns 33% of the share guarantee of CNRD 2002 Limited (2018: 33%). No dividends have been received.

Britannia Pharmaceuticals Limited
Notes to the Financial Statements
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13 Inventories

	2019	2018
	£000	£000
Raw Materials	1,462	992
Goods for re-sale	991	1,921
	<u>2,453</u>	<u>2,913</u>

The cost of materials recognised as an expense in Cost of Sales amounted to: £11,163k (2018 £12,348k)
There was a write-back of inventories to the P&L in the year of 226k (2018 write-back of 320k)

14 Trade and Other Receivables

	2019	2018
	£000	£000
Amounts owed by group undertakings	17,558	24,922
Trade receivables	11,980	3,420
Other receivables	5	6
Prepayments and accrued income	1,196	10,434
	<u>30,739</u>	<u>38,782</u>
Non-current	-	-
Current	<u>30,739</u>	<u>38,782</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Trade and Other Payables

	2019	2018
	£000	£000
Trade Payables	3,764	3,500
Amounts owed to group undertakings	9,156	8,123
Other tax and social security	500	555
Other Payables	95	396
Lease Liabilities	460	-
Accruals and deferred income	6,625	9,123
	<u>20,600</u>	<u>21,697</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Britannia has taken exemption to disclosing movements in accrued income and deferred income in these notes to the accounts.

16 Provision for liabilities

	Long Service Award	Total
	£000	£000
At 1 January 2019	140	140
Charged to the Statement of Comprehensive Income	(32)	(32)
At 31 December 2019	<u>108</u>	<u>108</u>

Britannia Pharmaceuticals Limited
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17 Called up share capital

Authorised, Allotted, Called up and Fully Paid

	31 December 2019		31 December 2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	1,000	1	1,000	1

18 Dividends

	2019 £000	2018 £000
Dividends - interim paid	30,560	15,805

The Company has paid a dividend in the year to its parent undertaking of £30,560 per share (2018: £15,805 per share).

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

19 Directors' Transactions

No such transactions occurred in 2019 or 2018 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the Directors (or other key management personnel).

20 Ultimate Parent Undertaking

The immediate parent undertaking is Genus Pharmaceuticals Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent and controlling party of Britannia Pharmaceuticals Limited is Nidda German Topco GmbH, incorporated in Germany. The Company is included within Nidda German Topco GmbH's consolidated financial statements which are publicly available from Nidda German TopCo GmbH, Stadastrasse 2-18, 61118 Bad Vilbel, Germany

Nidda German Topco GmbH is the only company to consolidate the company's financial statements.

21 Events after the end of the reporting period

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our production process. At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Britannia Pharmaceuticals Limited
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22 Effect of adoption of IFRS 16 - Leases

As indicated in notes 2.3 and 11, the company has adopted IFRS16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.18.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.7%.

1. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease.

2. Measurement of lease liabilities	2019
	£000
Operating lease commitments disclosed as at 31 December 2018	2,717
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,385
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short-term leases not recognised as a liability	-
(Less): low value leases not recognised as a liability	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Lease liability recognised as at 1 January 2019	<u>2,385</u>
Of which are:	
Current lease liabilities	476
Non-current lease liabilities	1,909
	<u>2,385</u>