

Registered number: 06505496

**Thea Pharmaceuticals Limited**

Annual Report and Financial Statements

For the Year Ended 31 December 2018

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**DAINS**  
ACCOUNTANTS

# **Thea Pharmaceuticals Limited**

## **Company Information**

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### **Directors**

H Chibret  
J F Chibret  
D Ponchon  
P H Lewis Williams

### **Registered number**

06505496

### **Registered office**

IC5 Building  
Innovation Way  
Keele  
Newcastle  
England  
ST5 5NT

# **Thea Pharmaceuticals Limited**

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**Strategic Report  
For the Year Ended 31 December 2018**

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**Business review**

Thea Pharmaceuticals Limited is a private limited company, with the principal activity of the supply of ophthalmic pharmaceutical products into the UK market. The business is currently split into three sectors covering sales to opticians and pharmacies (Eye Health), sales of pre and post-surgical pharmaceutical products to hospitals (Surgical) and sales of medical prescription (POM) products again largely into hospitals (Medical). These products are distributed either via a series of ethical wholesalers and distributors or in some cases directly to the end customers.

During the year the parent company, Laboratoires Thea SAS, set up a new Eire subsidiary company called TheaPamex Limited and this resulted in the termination of the Irish distribution agreement between Thea Pharmaceuticals Limited and Pamex Limited, a company registered in Eire. As a result, the company Thea Pharmaceuticals Limited now sells product into the UK market only. The company continues to hold a Wholesale Distribution licence as issued by the MHRA Government body.

Despite losing £1.1m of Eire sales of during the year, the company still managed to achieve net sales growth of 15% equating to £2.9m, following on from similar sales growth achieved in 2017 of 18% (£2.95m). The strongest performing division was the Medical division achieving sales growth of 19% year on year. The other divisions both achieved double digit margin growth with the Eye Health division achieving 15% year on year growth and Surgical 10%. The business mix remains very healthy so the company is not reliant on one particular division or one particular product.

The cost base of the company is mainly composed of sales, marketing and administration overheads. These were at 39% of turnover in 2018 compared to 40% in 2017, reflecting the improved return on investment from the sales and marketing effort. The business is a member of the voluntary Pharmaceutical Price Regulation Scheme (PPRS), which involves paying a cost rebate to the Department of Health for prescription products. For the year 2018, this rebate percentage was set at 7.8% (4.75% 2017) payable to the Department of Health and the company met all such obligations.

During the year the company continued to meet all working capital and loan commitments and the net asset value has improved to a positive £3.8m in 2018 (£2.3m 2017).

During the year the company maintained its relationships with all key suppliers relating to the provision of key services. The company remains committed to out-sourcing non core activities to ensure best practice and value.

The average headcount for the year was 56 staff including 1 Director, increasing from 50 staff the previous year reflecting the continued investment in sales and marketing effort. Closing headcount for the year was 55 staff.

During the year the company moved to brand new premises on the same business park, future proofing the business for its growth ambitions and planned increases in headcount.

Whilst the company will continue to operate broadly in the same UK markets, sales growth is expected to continue at a similar pace in 2019 given the sales and marketing investment. There are two new product launches expected for 2019 (2018 one new launch) however sales growth is expected to come mainly from both new and existing customers as opposed to the product launches.

### Principal risks and uncertainties

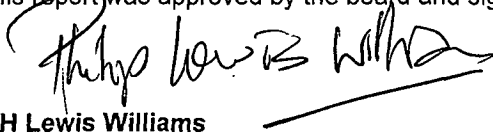
The key short term risks of the business remain that associated with competitors' products, for example release of new competitor products to the market which could erode the company's market share. The importing of cheaper parallel import products by distributors into the UK also remains a risk as this can erode gross margins.

Looking further ahead the impact of Brexit is one that the Board of Directors have regularly assessed. The company has taken some steps to increase stock levels above normal operational requirements, working with the Department of Health, in order to ensure supply of prescription medicines is maintained into the UK market over a critical period. This should eliminate the risk of product being held up at the ferry ports; the company continues to work with key stakeholders to assess this particular supply risk.

Most importantly the company believes that a 'no deal' Brexit will not harm the business as a going concern, and the company does not expect any significant changes to the business model as a result of a 'no deal' Brexit. The company may have additional tax duties to pay, however this is not perceived to be a significant risk to the business which has a very strong positive net asset value and strong parent company backing.

Outside of Brexit, the Government have introduced a new PPRS scheme for the next 5 years which has introduced some changes to the previous scheme. Whilst the introduction of an exemption for the first £5m applicable turnover will be a welcome benefit in the next two years, longer term there is risk and uncertainty around the payment percentage that will be payable for the scheme, with 2019 the only year where the percentage is known with certainty (9.6%). This risk will be closely monitored and the company remains in dialogue with the Department of Health and other industry groups to manage this risk.

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



**P H Lewis Williams**  
Director

Date: 15 July 2019

## **Thea Pharmaceuticals Limited**

### **Directors' Report For the Year Ended 31 December 2018**

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

#### **Principal activities**

The principal activities of the company during the year were the sale and distribution of pharmaceuticals to the ophthalmic industry.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £1,454,006 (2017 - £1,124,964).

The directors have recommend a dividend payable of £Nil.

#### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

H Chibret  
J F Chibret  
D Ponchon  
P H Lewis Williams

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the 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 102 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.

**Thea Pharmaceuticals Limited**

**Directors' Report (continued)  
For the Year Ended 31 December 2018**

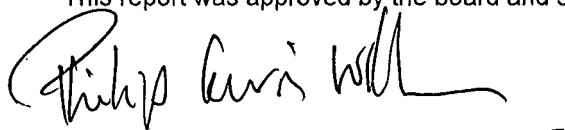
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**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



**P H Lewis Williams**  
Director

Date: 15 July 2019

# ***Independent auditors' report to the members of Thea Pharmaceuticals Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 balance sheet as at 31 December 2018; the statement of comprehensive income, 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.

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### **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.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **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 Directors' Report, 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.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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 Directors' Report.

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### **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 set out on page 3, 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](http://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.

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### **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.



Matthew Walker (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
15 July 2019

Thea Pharmaceuticals Limited

Statement of Comprehensive Income  
For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	22,056,876	19,108,531
Cost of sales		(10,841,195)	(9,316,213)
<b>Gross profit</b>		<b>11,215,681</b>	<b>9,792,318</b>
Distribution costs		(699,646)	(571,997)
Administrative expenses		(8,636,187)	(7,711,615)
Other operating income		377	6,490
<b>Operating profit</b>	5	<b>1,880,225</b>	<b>1,515,196</b>
Interest payable and expenses	9	(25,762)	(39,802)
Other finance income		-	-
<b>Profit before tax</b>		<b>1,854,463</b>	<b>1,475,394</b>
Tax on profit	10	(400,457)	(350,430)
<b>Profit for the financial year</b>		<b>1,454,006</b>	<b>1,124,964</b>

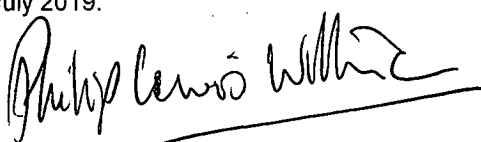
The notes on pages 10 to 25 form part of these financial statements.

**Thea Pharmaceuticals Limited**  
**Registered number:06505496**

**Balance Sheet**  
**As at 31 December 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	87,035	64,078
Tangible assets	12	181,756	44,262
		<u>268,791</u>	<u>108,340</u>
<b>Current assets</b>			
Stocks	13	3,737,310	2,975,359
Debtors: amounts falling due within one year	14	5,873,667	4,811,348
Cash at bank and in hand	15	286,412	483,192
		<u>9,897,389</u>	<u>8,269,899</u>
Creditors: amounts falling due within one year	16	(6,349,667)	(6,025,280)
<b>Net current assets</b>		<u>3,547,722</u>	<u>2,244,619</u>
<b>Total assets less current liabilities</b>		<u>3,816,513</u>	<u>2,352,959</u>
<b>Provisions for liabilities</b>			
Deferred tax	18	(27,965)	(18,417)
		<u>(27,965)</u>	<u>(18,417)</u>
<b>Net assets</b>		<u><u>3,788,548</u></u>	<u><u>2,334,542</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	2,000	2,000
Profit and loss account	20	3,786,548	2,332,542
		<u><u>3,788,548</u></u>	<u><u>2,334,542</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2019.

  
**P H Lewis Williams**  
 Director

The notes on pages 10 to 25 form part of these financial statements.

**Thea Pharmaceuticals Limited**

**Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 January 2017</b>	<b>2,000</b>	<b>1,207,578</b>	<b>1,209,578</b>
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	1,124,964	1,124,964
<b>At 1 January 2018</b>	<b>2,000</b>	<b>2,332,542</b>	<b>2,334,542</b>
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	1,454,006	1,454,006
<b>At 31 December 2018</b>	<b>2,000</b>	<b>3,786,548</b>	<b>3,788,548</b>

The notes on pages 10 to 25 form part of these financial statements.

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

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**1. General information**

Thea Pharmaceuticals Limited is a company limited by shares and incorporated in the United Kingdom. Its registered office is IC5 Building, Innovation Way, Keele, Newcastle, Staffordshire, ST5 5NT.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently:

**2.2 Going concern**

At 31 December 2018, the Company had net current assets of £3,547,722 and has made a profit in the year of £1,454,006. The Directors believe the Company is able to meet its liabilities as they fall due and consider that it is appropriate to prepare the financial statements on a going concern basis as a result.

**2.3 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Laboratoires Thea SAS as at 31 December 2018 and these financial statements may be obtained from Greffe du Tribunal de Commerce, 40 rue de l'Ange, BP 180, 63005 Clermont-Ferrand cedex 1.

**2. Accounting policies (continued)**

**2.4 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**2.5 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful lives range as follows:

Computer software	-	4	years
Development expenditure	-	4	years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

**2.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**2. Accounting policies (continued)**

**2.6 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	25% Straight line
Office equipment	-	25% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**2.7 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

**2.8 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.10 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found,

**2. Accounting policies (continued)**

**2.10 Financial instruments (continued)**

an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

**2.11 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.12 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

**2.13 Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.14 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

**Bad debt provision**

Estimates have been made in relation to the calculation of the bad debt provision. The calculation requires the company to estimate the amounts that will not be received, in order to assess if any provisions against debtors are required. The value of trade debtors held at the balance sheet date was £5,651,383 (2017: £4,426,658).

**Stock provision**

Estimates have been made in relation to the calculation of the stock provision. The calculation requires the company to estimate the net realisable value, in order to compare to cost in assessing if any provisions against stock is required. The value of stock held at the balance sheet date was £3,737,310 (2017: £2,975,359).

**4. Turnover**

Analysis of turnover:

	2018 £	2017 £
Sale of goods	22,990,551	20,043,575
Rebates to customers	(933,675)	(935,044)
	<u>22,056,876</u>	<u>19,108,531</u>

Analysis of turnover by class of business:

	2018 £	2017 £
Consumer	9,525,815	8,275,365
Surgical	4,205,486	3,840,584
Medical	8,325,575	6,992,582
	<u>22,056,876</u>	<u>19,108,531</u>

All turnover arose within the United Kingdom and the Republic of Ireland.

**Thea Pharmaceuticals Limited**

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

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**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Research & development charged as an expense	3,145	29,000
Depreciation of tangible fixed assets	67,998	41,310
Amortisation of intangible assets, including goodwill	42,887	25,527
Exchange differences	461	10,919
Defined contribution pension cost	123,938	108,012
Operating lease payments	329,514	278,381
	<u>          </u>	<u>          </u>

**6. Auditors' remuneration**

	2018 £	2017 £
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	18,400	18,400
	<u>          </u>	<u>          </u>
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
PPRS regulatory reporting	2,000	4,000
	<u>          </u>	<u>          </u>
	2,000	4,000
	<u>          </u>	<u>          </u>

Thea Pharmaceuticals Limited

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

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	Restated 2017 £
Wages and salaries	3,161,825	3,048,599
Social security costs	418,715	368,692
Other pension costs	123,938	108,012
	<u>3,704,478</u>	<u>3,525,303</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Staff	55	49
Directors	1	1
	<u>56</u>	<u>50</u>

8. Directors' remuneration

	2018 £	Restated 2017 £
Directors' emoluments	280,700	220,117
Company contributions to defined contribution pension schemes	10,000	9,125
	<u>290,700</u>	<u>229,242</u>

During the year retirement benefits were accruing to one director (2017 - one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £280,700 (2017 - £220,117).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2017 - £9,125).

Thea Pharmaceuticals Limited

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

9. Interest payable and similar expenses

	2018 £	2017 £
Other interest payable	25,762	39,802
	<u>25,762</u>	<u>39,802</u>

10. Tax on profit

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	390,909	354,708
Adjustments in respect of previous periods	-	240
	<u>390,909</u>	<u>354,948</u>
<b>Total current tax</b>	<u>390,909</u>	<u>354,948</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	9,548	(4,518)
<b>Total deferred tax</b>	<u>9,548</u>	<u>(4,518)</u>
<b>Taxation on profit</b>	<u>400,457</u>	<u>350,430</u>

Thea Pharmaceuticals Limited

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

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10. Tax on profit (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	<u>1,854,463</u>	<u>1,475,394</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	352,348	284,013
<b>Effects of:</b>		
Expenses not deductible for tax purposes	46,322	62,477
Capital allowances less than / (in excess) of depreciation	2,912	4,335
Income not taxable	-	(635)
Adjustments in respect of previous periods	-	240
Change in tax rate	<u>(1,125)</u>	<u>-</u>
<b>Total tax charge for the year</b>	<u>400,457</u>	<u>350,430</u>

**Factors that may affect future tax charges**

In addition to the changes in rates of corporation tax disclosed above further changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. This will reduce the company's future current tax charge accordingly. The deferred tax has been calculated based on the above rates.

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

11. Intangible assets

	Develop- ment expenditure £	Computer software £	Total £
<b>Cost</b>			
At 1 January 2018	-	102,111	102,111
Additions	42,315	23,529	65,844
At 31 December 2018	42,315	125,640	167,955
<b>Accumulated Amortisation</b>			
At 1 January 2018	-	38,033	38,033
Charge for the year	2,645	40,242	42,887
At 31 December 2018	2,645	78,275	80,920
<b>Net book value</b>			
At 31 December 2018	39,670	47,365	87,035
At 31 December 2017	-	64,078	64,078

Notes to the Financial Statements  
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12. Tangible assets

	Fixtures and fittings £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2018	36,700	160,012	196,712
Additions	161,642	43,850	205,492
At 31 December 2018	198,342	203,862	402,204
<b>Accumulated Depreciation</b>			
At 1 January 2018	35,110	117,340	152,450
Charge for the year on owned assets	40,777	27,221	67,998
At 31 December 2018	75,887	144,561	220,448
<b>Net book value</b>			
At 31 December 2018	122,455	59,301	181,756
At 31 December 2017	1,590	42,672	44,262

Thea Pharmaceuticals Limited

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

13. Stocks

	2018 £	2017 £
Finished goods	3,737,310	2,975,359
	<u>3,737,310</u>	<u>2,975,359</u>

Stock recognised in cost of sales during the year as an expense was £10,701,994 (2017 - £9,768,789) .

An impairment loss of £32,846 (2017 - £21,392) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	5,651,383	4,426,658
Other debtors	23,465	36,690
Prepayments and accrued income	198,819	348,000
	<u>5,873,667</u>	<u>4,811,348</u>

15. Cash at bank and in hand

	2018 £	2017 £
Cash at bank and in hand	286,412	483,192
	<u>286,412</u>	<u>483,192</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Loan with group undertakings	780,000	1,300,000
Trade creditors	345,172	570,494
Amounts owed to group undertakings	2,698,572	2,185,853
Corporation tax	220,117	194,462
Other taxation and social security	925,845	733,459
Other creditors	518,267	382,134
Accruals and deferred income	861,694	658,878
	<u>6,349,667</u>	<u>6,025,280</u>

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

17. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
<b>Amounts falling due within one year</b>		
Loan with group undertaking	780,000	1,300,000
	<u>780,000</u>	<u>1,300,000</u>

The company arranged a loan facility with its parent, Laboratoires Thea SAS of £2,600,000. There is interest charged on the loan at 2.4% and the loan is due to mature in 2020.

18. Deferred tax

	2018 £	2017 £
At beginning of year	(18,417)	(22,935)
(Charged)/credited to profit or loss	(9,548)	4,518
<b>At end of year</b>	<u>(27,965)</u>	<u>(18,417)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(27,965)	(18,417)
	<u>(27,965)</u>	<u>(18,417)</u>

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

19. Called up share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
950 (2017 - 950) A Ordinary Shares shares of £1.00 each	950	950
1,050 (2017 - 1,050) B Ordinary Shared shares of £1.00 each	1,050	1,050
	<u>2,000</u>	<u>2,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20. Profit and loss account

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

21. Prior year adjustment

The company has restated the directors' remuneration during the year to include benefits in kind.

This adjustment has not impacted the previously reported profit for the financial year for the year ended 31 December 2017.

22. Capital commitments

At 31 December 2018 the Company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	14,105	175,868
	<u>14,105</u>	<u>175,868</u>

23. Pension commitments

The company operated a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £123,938 (2017: £108,012). Contributions totalling £nil (2017: £nil) were payable to the fund at the balance sheet date.

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

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**24. Commitments under operating leases**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	262,691	269,956
Later than 1 year and not later than 5 years	373,866	451,075
	<u>636,557</u>	<u>721,031</u>

**25. Related party transactions**

The company has taken exemption from FRS 102 Section 33 from disclosing transactions between two or more members of a group on the basis that any subsidiary is wholly owned.

**26. Ultimate parent company and parent of larger group.**

The ultimate controlling party is Laboratoires Thea SAS. The company's parent undertaking is Laboratoires Thea SAS, a company incorporated in France. The results of Thea Pharmaceuticals Limited are only consolidated into the financial statements of Laboratoires Thea SAS which are publicly available from Greffe du Tribunal De Commerce , 40 rue de L'Ange, BP 180, 63005 Clermont-Ferrand Cedex 1.