

Registered number: 06505496

Thea Pharmaceuticals Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

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ACCOUNTANTS

Thea Pharmaceuticals Limited

Company Information

Directors	H Chibret J F Chibret D Ponchon P H Lewis Williams
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Registered number	06505496
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Registered office	IC5 Building Innovation Way Keele Newcastle England ST5 5NT
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Thea Pharmaceuticals Limited

Contents

	Pages
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 25

Strategic Report
For the Year Ended 31 December 2019

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.

Following the formation of TheaPamex Limited, an Irish subsidiary of Laboratoires Thea SAS, the holding company in 2018, Thea Pharmaceuticals Limited sells product solely into the UK market. The company continues to hold a Wholesale Distribution licence as issued by the MHRA Government body and the principal distributor partner used is Mawdsley Brooks Limited.

During the year the turnover of the business reached £26.7m, a 21% increase on 2018 turnover of £22.1m. The strongest performing division was the Medical division achieving sales growth of 34% year on year. The other divisions also both performed strongly with the Eye Health division achieving 9% year on year growth and Surgical 24%. All divisions exceeded their budgeted targets during the year.

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 comprised of sales, marketing and administration overheads. These were at 31% of turnover in 2019 compared to 39% in 2018, reflecting the improved return on investment from the sales and marketing effort. The business is a member of the 2019 voluntary scheme for branded medicines pricing and access, which involves paying a cost rebate to the Department of Health for prescription products. For the year 2019 this rebate percentage was set at 9.6% (7.8% 2018) payable to the Department of Health and the company met all such obligations. The voluntary scheme does benefit from the first £5m of applicable sales being exempt from the rebate which was a welcome change introduced to the 2019 scheme.

During the year the company continued to meet all working capital and loan commitments and the net asset value has improved to a positive £5.2m in 2019 (£3.8m 2018). The loan to the parent company Laboratoires Thea SAS now stands at £0.3m and will be repaid by June 2020.

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 59 staff including 1 Director, increasing from 56 staff the previous year reflecting the continued investment in sales and marketing effort.

The company continues to operate from the head office at Keele University Science Park and has a further 2 years and 10 months remaining on the existing lease.

The company will continue to operate broadly in the same UK markets in 2020, sales growth is expected to continue at double digit growth rates given the sales and marketing investment. There are no new product launches planned for 2020, so any growth will come from organic growth of new and existing customers.

Strategic Report (continued)
For the Year Ended 31 December 2019

Key performance indicators

The following KPIs are used by the Company:

	2019	2018
Turnover £m	26.7	22.1
Costs % of turnover	31	39
Net assets £m	5.2	3.8
Average number of employees	59	56

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.

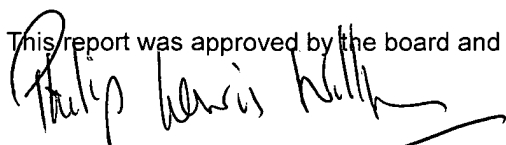
Looking further ahead the impact of Brexit is one that the Board of Directors have regularly assessed. The company has taken some steps to increase stock levels above normal operational requirements, working with the Department of Health, in order to ensure supply of prescription medicines is maintained 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 rebate percentage for the voluntary pricing scheme has been set at 5.9% for 2020, which is a welcome reduction to the rebates payable. The risk of increases for future years will be closely monitored and the company remains in dialogue with the Department of Health and other industry groups to manage this risk.

The COVID-19 pandemic has impacted on the company's operations given the impact seen in hospitals and the high street. Lockdown restrictions have resulted in a temporary reduction in business activities and there is currently some uncertainty around the period of time and extent to which business will be affected during 2020. The company is actively managing its' cost base during this period of business interruption whilst ensuring that the business is ready to fully resume its' activities when restrictions allow. No staff have been furloughed during the pandemic and the business remains well placed for a swift return to normal business operations. The company remains in a strong cash and profit position, and this provides strong support for the continued application of the going concern basis of accounting.

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



P H Lewis Williams
Director

Date: 11 September 2020

Thea Pharmaceuticals Limited

Directors' Report For the Year Ended 31 December 2019

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

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 financial year, after taxation, amounted to £1,379,312 (2018 - £1,454,006).

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 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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)
For the Year Ended 31 December 2019

Future developments

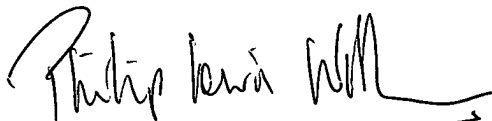
The company will continue to operate broadly in the same UK markets in 2020, sales growth is expected to continue at double digit growth rates given the sales and marketing investment. There are no new product launches planned for 2020, so any growth will come from organic growth of new and existing customers.

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 is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors has taken all the steps that ought to have been taken as a director 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.

A handwritten signature in black ink, appearing to read 'Philip Lewis Williams', with a long horizontal flourish extending to the right.

P H Lewis Williams
Director

Date: 11 September 2020

Independent auditors' report to the members of Thea Pharmaceuticals Limited

Report on the audit of the financial statements

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 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 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 2019; 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.

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 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 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement 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. 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.



Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

22 September 2020

Thea Pharmaceuticals Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	26,712,598	22,056,876
Cost of sales		(14,458,506)	(10,841,195)
Gross profit		12,254,092	11,215,681
Distribution costs		(849,224)	(699,646)
Administrative expenses		(9,542,418)	(8,636,187)
Other operating income		-	377
Operating profit	5	1,862,450	1,880,225
Interest payable and similar expenses	9	(13,000)	(25,762)
Other finance income		-	-
Profit before taxation		1,849,450	1,854,463
Tax on profit	10	(470,138)	(400,457)
Profit for the financial year		1,379,312	1,454,006

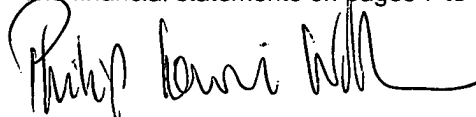
The notes on pages 10 to 25 form part of these financial statements.

Thea Pharmaceuticals Limited
Registered number:06505496

Balance Sheet
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	67,049	87,035
Tangible assets	12	185,843	181,756
		<u>252,892</u>	<u>268,791</u>
Current assets			
Stocks	13	4,864,320	3,737,310
Debtors: amounts falling due within one year	14	6,220,556	5,873,667
Cash at bank and in hand	15	134,503	286,412
		<u>11,219,379</u>	<u>9,897,389</u>
Creditors: amounts falling due within one year	16	(6,273,286)	(6,349,667)
Net current assets		<u>4,946,093</u>	<u>3,547,722</u>
Total assets less current liabilities		<u>5,198,985</u>	<u>3,816,513</u>
Provisions for liabilities			
Deferred tax	18	(31,125)	(27,965)
		<u>(31,125)</u>	<u>(27,965)</u>
Net assets		<u><u>5,167,860</u></u>	<u><u>3,788,548</u></u>
Capital and reserves			
Called up share capital	19	2,000	2,000
Profit and loss account	20	5,165,860	3,786,548
Total equity		<u><u>5,167,860</u></u>	<u><u>3,788,548</u></u>

The financial statements on pages 7 to 9 were approved by the Board of Directors and signed on its behalf by:



P H Lewis Williams
Director

Date: 11 September 2020

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 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	2,000	2,332,542	2,334,542
Comprehensive income for the year			
Profit for the financial year	-	1,454,006	1,454,006
At 31 December 2018	2,000	3,786,548	3,788,548
Comprehensive income for the year			
Profit for the financial year	-	1,379,312	1,379,312
At 31 December 2019	2,000	5,165,860	5,167,860

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

Notes to the Financial Statements
For the Year Ended 31 December 2019

1. General information

Thea Pharmaceuticals Limited is a private company limited by shares and incorporated in England, 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 2019, the Company had net current assets of £4,946,093 and has made a profit in the year of £1,379,312.

The Covid-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the government to contain the virus have affected UK economic activity. In particular the cancellation of non-essential operations in hospitals and the impact of high street lockdowns have adversely impacted turnover. We have taken a number of measures to mitigate the impacts of Covid-19 such as health and safety measures for our people (social distancing and working from home) and securing the supply of stock for sale in the UK. Whilst some parts of the business have seen a reduction in turnover, other areas such as online business have seen an increase.

However, as a result of the economic downturn the effects on cumulative revenue in the first 6 months of 2020 was approximately £0.6m (5%) lower than 2019 revenues in the same period with the major negative impacts seen in April to June. Despite the lost turnover, the profitability, margins and operating cashflows have remained strong with savings achieved from lower sales and marketing activity during this same period. The directors have prepared Covid adjusted forecasts and even when applying severe downside scenarios the directors are satisfied that the company remains profitable and cash generative throughout the forecast period.

The company has not made staff redundant or furloughed any of its employees and expects a strong recovery in the final quarter of 2020 with a return to more normal trading levels expected. The diversification of the company across different sectors, products and customers means that the company is able to maintain a healthy underlying turnover and remains in a positive profit and cash position. The business is ready to return to normal trading activities once all restrictions are lifted, such as the return of surgery in hospitals.

The company will continue to follow various government policies and advice and, in parallel, the company will do its utmost to continue operations in the best and safest way possible without jeopardising the health of staff or customers. The Directors are satisfied that 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. Accounting policies (continued)

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 2019 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.

2.4 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. Accounting policies (continued)

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.

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 Profit and loss account.

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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a

2. Accounting policies (continued)

2.10 Financial instruments (continued)

director in the case of a small company, or a public benefit entity concessionary loan.

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, 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. Accounting policies (continued)

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.

2.14 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. Accounting policies (continued)

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.

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 £5,920,429 (2018: £5,651,383).

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 £4,864,320 (2018: £3,737,310).

Notes to the Financial Statements
For the Year Ended 31 December 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Sale of goods	27,779,836	22,990,551
Rebates to customers	(1,067,238)	(933,675)
	<u>26,712,598</u>	<u>22,056,876</u>

Analysis of turnover by class of business:

	2019 £	2018 £
Consumer	10,335,590	9,525,815
Surgical	5,215,217	4,205,486
Medical	11,161,791	8,325,575
	<u>26,712,598</u>	<u>22,056,876</u>

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

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	2,535	3,145
Depreciation of tangible fixed assets	81,303	67,998
Amortisation of intangible assets, including goodwill	35,891	42,887
Exchange differences	1,142	461
Defined contribution pension cost	153,107	123,938
Operating lease payments	<u>354,062</u>	<u>329,514</u>

Notes to the Financial Statements
For the Year Ended 31 December 2019

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	<u>19,800</u>	<u>18,400</u>
Fees payable to the Company's auditors and its associates in respect of:		
PPRS regulatory reporting	<u>2,000</u>	<u>2,000</u>
	<u>2,000</u>	<u>2,000</u>

7. Employees

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

	2019 £	2018 £
Wages and salaries	3,379,068	3,161,825
Social security costs	471,215	418,715
Other pension costs	153,107	123,938
	<u>4,003,390</u>	<u>3,704,478</u>

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

	2019 No.	2018 No.
Sales and Marketing	51	49
Administration	7	6
Director	1	1
	<u>59</u>	<u>56</u>

Notes to the Financial Statements
For the Year Ended 31 December 2019

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	269,127	280,700
Company contributions to defined contribution pension schemes	10,000	10,000
	<u>279,127</u>	<u>290,700</u>

During the year retirement benefits were accruing to one director (2018 - one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £269,127 (2018 - £280,700).

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 (2018 - £10,000).

9. Interest payable and similar expenses

	2019 £	2018 £
Other interest payable	13,000	25,762
	<u>13,000</u>	<u>25,762</u>

10. Tax on profit

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	466,563	390,909
Adjustments in respect of previous periods	415	-
	<u>466,978</u>	<u>390,909</u>
Total current tax	<u>466,978</u>	<u>390,909</u>
Deferred tax		
Origination and reversal of timing differences	3,160	9,548
Total deferred tax	<u>3,160</u>	<u>9,548</u>
Taxation on profit	<u>470,138</u>	<u>400,457</u>

Notes to the Financial Statements
For the Year Ended 31 December 2019

10. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Profit before taxation	1,849,450	1,854,463
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	351,395	352,348
Effects of:		
Expenses not deductible for tax purposes	112,060	46,322
Capital allowances for year in excess of depreciation	2,978	2,912
Adjustments in respect of previous periods	415	-
Change in tax rate	3,290	(1,125)
Total tax charge for the year	470,138	400,457

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2019

11. Intangible assets

	Development expenditure £	Computer software £	Total £
Cost			
At 1 January 2019	42,315	125,640	167,955
Additions	14,105	1,800	15,905
At 31 December 2019	56,420	127,440	183,860
Amortisation			
At 1 January 2019	2,645	78,275	80,920
Charge for the year	12,930	22,961	35,891
At 31 December 2019	15,575	101,236	116,811
Net book value			
At 31 December 2019	40,845	26,204	67,049
At 31 December 2018	39,670	47,365	87,035

Notes to the Financial Statements
For the Year Ended 31 December 2019

12. Tangible assets

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2019	198,342	203,862	402,204
Additions	10,745	74,645	85,390
At 31 December 2019	<u>209,087</u>	<u>278,507</u>	<u>487,594</u>
Depreciation			
At 1 January 2019	75,887	144,561	220,448
Charge for the year on owned assets	42,439	38,864	81,303
At 31 December 2019	<u>118,326</u>	<u>183,425</u>	<u>301,751</u>
Net book value			
At 31 December 2019	<u>90,761</u>	<u>95,082</u>	<u>185,843</u>
<i>At 31 December 2018</i>	<u>122,455</u>	<u>59,301</u>	<u>181,756</u>

Thea Pharmaceuticals Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

13. Stocks

	2019 £	2018 £
Finished goods	4,864,320	3,737,310
	<u>4,864,320</u>	<u>3,737,310</u>

14. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	5,920,428	5,651,383
Other debtors	28,597	23,465
Prepayments and accrued income	271,531	198,819
	<u>6,220,556</u>	<u>5,873,667</u>

15. Cash at bank and in hand

	2019 £	2018 £
Cash at bank and in hand	134,503	286,412
	<u>134,503</u>	<u>286,412</u>

Notes to the Financial Statements
For the Year Ended 31 December 2019

16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Loan with group undertakings	260,001	780,000
Trade creditors	340,499	345,172
Amounts owed to group undertakings	2,653,193	2,698,572
Corporation tax	238,562	220,117
Other taxation and social security	1,096,843	925,845
Other creditors	633,612	518,267
Accruals and deferred income	1,050,576	861,694
	<u>6,273,286</u>	<u>6,349,667</u>

The company arranged an unsecured 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.

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

17. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Loan with group undertakings	260,001	780,000
	<u>260,001</u>	<u>780,000</u>

The company arranged an unsecured 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.

Thea Pharmaceuticals Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

18. Deferred tax

	2019 £	2018 £
At beginning of year	(27,965)	(18,417)
Charged to profit or loss	(3,160)	(9,548)
At end of year	(31,125)	(27,965)

The provision for deferred tax is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(31,125)	(27,965)
	(31,125)	(27,965)

19. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
950 (2018 - 950) A Ordinary shares of £1.00 each	950	950
1,050 (2018 - 1,050) B Ordinary shares of £1.00 each	1,050	1,050
	2,000	2,000

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. Capital commitments

At 31 December 2019 the Company had capital commitments as follows:

	2019 £	2018 £
Contracted for but not provided in these financial statements	-	14,105
	-	14,105

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

22. 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 £153,107 (2018: £123,938). Contributions totalling £nil (2018: £nil) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	345,595	262,691
Later than 1 year and not later than 5 years	413,914	373,866
	<u>759,509</u>	<u>636,557</u>

24. 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.

25. Ultimate parent company and parent of larger group.

The parent company, ultimate parent company and ultimate controlling party 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.