

Registered number: 06505496

Thea Pharmaceuticals Limited

Directors' Report, Strategic Report and Financial Statements

For the Year Ended 31 December 2022

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Thea Pharmaceuticals Limited

Company Information

Directors	H Chibret (resigned 25 August 2023) J F Chibret (resigned 25 August 2023) D Ponchon (resigned 25 August 2023) P H Lewis Williams S Mustahsin (appointed 25 August 2023)
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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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Business review

The business continues to be split into three sectors covering sales of non-prescription products mainly into to opticians and pharmacies (OTC), sales of pre and post-surgical pharmaceutical products to hospitals (Hospital) and sales of medical prescription products again largely into hospitals (Medical). These products are distributed by a principal distribution partner and then further sold on either via a series of ethical wholesalers and distributors or in some cases directly to the end customers.

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 £37.9m, a 16% increase on 2021 turnover of £32.8m. The year on year increase is largely attributed to promotion of core growth products in order to obtain increasing marketing share. In addition, the Hospital sector continued to perform well given the Covid 19 pandemic recovery where operations in both the NHS and private sector have returned to more expected levels. The return of high street demand for OTC products, growth of online marketing channels and new product launches have also contributed to the growth of the company. As a result, all areas of the business showed healthy year on year growth and achieved more than double digit margin growth in the year. The business mix remains very healthy, so the company is not reliant on one division or product and has a good mix of over the counter and prescription medicines.

The cost base of the company is mainly composed of sales and marketing overheads, head office operating costs and rebate payments made to the Department of Health. During the year these administration costs increased by £3.0m to £11.5m (30% of turnover) reflecting in part increased sales and marketing investment to deliver long term growth of the company. In addition, the rebates paid to the Government increased substantially as detailed below.

The company continues to be a member of the 2019 voluntary scheme for branded medicines pricing and access (VPAS), which involves paying a cost rebate to the Department of Health for prescription products. For the year 2022 this rebate percentage was set at 15.0% resulting in a payment of £2.0m payable to the Department of Health (2021 - 5.1%, £0.6m). The overall rebate payment substantially increased year on year and formed nearly half of the increased administration costs during the year. The outlook for these rebate payments is bleak with the percentage set at 26.5% for the year 2023 due to growth in the overall Pharmaceutical Industry. Whilst this will be a significant cost for the business during 2023 the Company business plans reflect a strong business able to cope with such an increase.

During the year the company continued to meet all working capital and the net asset value has improved to a positive £11.5m in 2022 (2021 - £9.1m). There is no longer a formal loan facility with the parent company Laboratoires Thea SAS.

During the year the company maintained its relationships with all key suppliers relating to the provision of key services. The company remains committed to outsourcing non-core activities to ensure best practice and value. The average headcount for the year was 63 staff including 1 UK based Director, increasing marginally from 62 staff the previous year reflecting the continued investment in sales and marketing effort. Closing headcount for the year was 66 staff.

The company continues to operate from the head office at Keele University Science Park and the terms of the lease run to the end of April 2026.

The company operated broadly in the same UK markets during 2022, although additional focus was given to online business and Pharmacy channels from a marketing perspective. Further healthy sales growth is expected for 2023 with double digit growth expected across the Medical and OTC sectors.

Strategic Report (continued)
For the Year Ended 31 December 2022

Financial key performance indicators

The following KPIs are used by the Company:

	2022	2021
Turnover £m	37.9	32.8
Sales and Marketing costs % turnover	22	20
Net assets £m	11.5	9.1
Average number of employees	63	62

The average headcount of the business grew to 63 over the year as the company continued growth in the sales teams in order to deliver long term profitable growth. The sales and marketing costs as a percentage of turnover increased to 22% (2021 - 20%) reflecting continued investment in the sales teams and marketing activities, which was managed in line with budget expectations during the year.

Principal risks and uncertainties

The key risk to the business during the year has been the impact of the VPAS scheme which substantially increased the administration costs of the business. This risk has continued to be managed by the Board of Directors. Brexit is now a relatively low risk for the business with movement of imported goods being managed through an appointed customs agent.

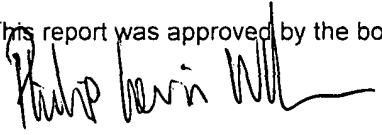
The company has met all its obligations under the VPAS scheme and has managed cash reserves sufficiently well to ensure all payment obligations are met on time. Future business plans reflect the now known increase in payment rate to 26.5% for 2023.

The Brexit impact has been managed through ensuring sufficient stock of goods in the UK, close monitoring of the trade deal situation with Europe and the appointment in 2021 of a customs agent to help manage future importations of goods into the country. Brexit is now a relatively low risk to the UK business and there has been no disruption to importation of finished goods during the year.

As in 2021 the Board of Directors remain confident about the future profitability and cash generation of the business, the strong diversification, and believe the business is well positioned to respond to further risks or issues.

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

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


P H Lewis Williams
Director

Date: 14 September 2023

Thea Pharmaceuticals Limited

Directors' Report For the Year Ended 31 December 2022

The directors present their report and the Financial Statements for the year ended 31 December 2022.

Principal activities

The principal activities of the company during the year were the sale and distribution of pharmaceutical, medical device, cosmetic and nutritional products to the ophthalmic industry.

Results and dividends

The profit for the year, after taxation, amounted to £2,385,715 (2021 - £2,204,943).

The Directors have recommended a dividend payable of £Nil during 2022, however since the year end the company has declared and paid a dividend of £1,500,000.

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 (resigned 25 August 2023)
J F Chibret (resigned 25 August 2023)
D Ponchon (resigned 25 August 2023)
P H Lewis Williams
S Mustahsin (appointed 25 August 2023)

Financial risk management

Liquidity risk

The liquidity risk is that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Management monitors rolling forecasts on a regular basis to ensure that sufficient funds are available.

At 31 December 2022, the company had net current assets of £11,419,680 (2021 - £9,052,932) and has made a profit in the year of £2,385,715 (2021 - £2,204,943). The company is the UK distributor for Laboratoires Thea SAS, its parent company. The company has received a letter of support from its parent company and have made enquiries of their parent company to satisfy themselves of the parent company's ability to provide financial support. The Directors have prepared forecasts and believe the company with the financial support of its parent company is able to meet its liabilities as they fall due and consider that is appropriate to prepare the financial statements on a going concern basis as a result.

Currency risk

The company has limited international operations and most of the trading purchases are paid to the parent company in pounds GBP. There is a small foreign exchange risk arising from transaction currency exposures in Euros, management consider the risk to be low as these payables are immaterial in value.

Interest rate risk

The intercompany loan owed to the parent company was repaid in June 2020 therefore the company is no longer exposed to such interest rate risk on these borrowings. The company has some interest rate risk on normal trade payables, however such costs have not been incurred and the company has a good history of making payments on time to suppliers.

Directors' Report (continued)
For the Year Ended 31 December 2022

Future Developments

The company will continue to operate broadly in the same UK markets in 2023, although focus is being given to online business, Pharmacy channel and return of surgery in hospitals. Sales growth is expected for 2023 with projected growth expected across the Medical and OTC sectors. Some exciting new product launches are also expected in 2023 to compliment the organic growth of new and existing customers.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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, 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

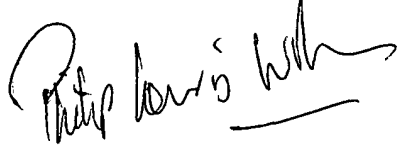
Post balance sheet events

Since the year end the company has declared and paid a dividend of £1,500,000.

Thea Pharmaceuticals Limited

Directors' Report (continued)
For the Year Ended 31 December 2022

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

A handwritten signature in black ink, appearing to read 'P H Lewis Williams', with a horizontal line underneath.

P H Lewis Williams
Director

Date: 14 September 2023



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 2022 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, including 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 Directors' Report, Strategic Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of journal entries to manipulate metrics relating to commercial performance of the business. Audit procedures performed by the engagement team included:

- Enquiries of management;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging judgements made by management in determining significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

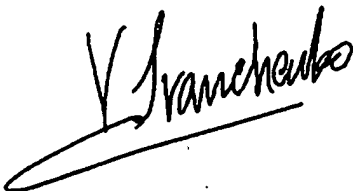
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Volodymyr Ivanchenko (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
14 September 2023

Thea Pharmaceuticals Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Turnover	4	37,868,644	32,755,938
Cost of sales		(22,145,049)	(20,428,119)
Gross profit		15,723,595	12,327,819
Distribution costs		(1,230,129)	(1,079,690)
Administrative expenses		(11,509,851)	(8,495,781)
Other operating income		16,962	2,510
Operating profit	5	3,000,577	2,754,858
Interest receivable and similar income	9	432	-
Interest payable and similar expenses	10	-	(2,321)
Profit before tax		3,001,009	2,752,537
Tax on profit	11	(615,294)	(547,594)
Profit for the financial year		2,385,715	2,204,943

There was no other comprehensive income for 2022 (2021 - £NIL).

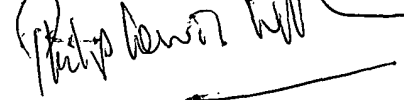
The notes on pages 12 to 26 form part of these financial statements.

Thea Pharmaceuticals Limited
Registered number:06505496

Balance Sheet
As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	1,328	14,100
Tangible assets	13	94,183	51,477
		<u>95,511</u>	<u>65,577</u>
Current assets			
Stocks	14	3,288,952	5,347,661
Debtors: amounts falling due within one year	15	10,085,882	8,729,800
Cash at bank and in hand	16	4,413,553	601,581
		<u>17,788,387</u>	<u>14,679,042</u>
Creditors: amounts falling due within one year	17	(6,368,707)	(5,626,110)
Net current assets		<u>11,419,680</u>	<u>9,052,932</u>
Total assets less current liabilities		<u>11,515,191</u>	<u>9,118,509</u>
Provisions for liabilities			
Deferred tax	18	(23,344)	(12,377)
		<u>(23,344)</u>	<u>(12,377)</u>
Net assets		<u>11,491,847</u>	<u>9,106,132</u>
Capital and reserves			
Called up share capital	19	2,000	2,000
Profit and loss account	20	11,489,847	9,104,132
Total equity		<u>11,491,847</u>	<u>9,106,132</u>

The financial statements on page 9 to 26 were approved by the board of directors and were signed on its behalf by:



P H Lewis Williams
Director

Date: 14 September 2023

The notes on pages 12 to 26 form part of these financial statements.

Thea Pharmaceuticals Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2022**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	2,000	6,899,189	6,901,189
Total comprehensive income for the year			
Profit for the financial year	-	2,204,943	2,204,943
Total comprehensive income for the year	-	2,204,943	2,204,943
At 31 December 2021 and at 1 January 2022	2,000	9,104,132	9,106,132
Total comprehensive income for the year			
Profit for the financial year	-	2,385,715	2,385,715
Total comprehensive income for the year	-	2,385,715	2,385,715
At 31 December 2022	2,000	11,489,847	11,491,847

The notes on pages 12 to 26 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

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, England, ST5 5NT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention 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 company's functional and presentational currency is GBP. Monetary amounts in these financial statements are presented to the nearest pound.

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 2022, the Company had net current assets of £11,419,680 (2021 - £9,052,932) and has made a profit in the year of £2,385,715 (2021 - £2,204,943). The company is the UK distributor for Laboratoires Thea SAS, its parent company. The Company has received a letter of support from its parent company and have made enquiries of their parent company to satisfy themselves of the parent company's ability to provide financial support. The Directors have prepared forecasts and believe the Company with the financial support of its parent company is able to meet its liabilities as they fall due and consider that 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 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 11.48(a)(iii) and 11.48(a)(iv);

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.

This information is included in the consolidated financial statements of Laboratoires Thea SAS as at 31 December 2022 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.4 Turnover

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

Sale of goods

Revenue from the sale of goods is recognised when goods are despatched to the end customers by the distribution partner Mawdsley Brooks Limited. At that point Thea Pharmaceuticals recognise a sale to Mawdsley Brooks Limited who are responsible for invoicing and cash collection with the ultimate end customers. Mawdsley Brooks Limited act as a pre wholesaler and provide a full invoicing and cash collection service to Thea Pharmaceuticals Limited and are paid a distribution fee for such a service.

Revenue 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 revenue 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	25% Straight line
Development expenditure	-	25% Straight line

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.

Amortisation is included in "Administrative expenses" in the statement of comprehensive income.

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 profit or loss.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Stock

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, of manufactured finished goods from the parent company.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

2.9 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.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Notes to the Financial Statements
For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Financial instruments

Financial Instruments are recognised in accordance with section 11 and 12 of FRS 102. 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 directors 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.

2.12 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. Accounting policies (continued)

2.13 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 profit or loss 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 'Interest payable and similar expenses' or 'Interest receivable and similar income'. All other foreign exchange gains and losses are presented in statement of comprehensive income within 'Administrative expenses'.

2.14 Finance costs

Finance costs are charged to profit or loss 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.

2.15 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 profit or loss 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.

2.16 Borrowing Costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Estimates 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 £9,337,724 (2021- £8,475,895).

Stock provision

Estimates have been made in relation to the calculation of the stock provision. The value of stock provision held at balance sheet date was £4,574 (2021 - £29,776). 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 £3,288,952 (2021 - £5,347,661).

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

4. Turnover

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

	2022 £	2021 £
Sale of goods	39,863,429	34,442,413
Rebates to customers	(1,994,785)	(1,686,475)
	<u>37,868,644</u>	<u>32,755,938</u>

Analysis of turnover by business sector:

	2022 £	2021 £
OTC	15,896,041	13,848,841
Hospital	7,627,245	6,711,462
Medical	14,345,358	12,195,635
	<u>37,868,644</u>	<u>32,755,938</u>

All turnover arose within United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	40,562	79,796
Amortisation of intangible assets, including goodwill	12,772	20,035
Exchange differences	1,542	1,293
Operating lease payment	381,679	376,492

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

6. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	40,000	29,500

Fees payable to the Company's auditors and its associates in respect of:

	2022 £	2021 £
VPAS Scheme (formerly PPRS)	7,000	2,300
	<u>7,000</u>	<u>2,300</u>

7. Employees

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

	2022 £	2021 £
Wages and salaries	4,151,171	3,647,323
Social security costs	593,843	497,761
Other pension costs	163,753	160,570
	<u>4,908,767</u>	<u>4,305,654</u>

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

	2022 No.	2021 No.
Sales and Marketing	53	53
Administration	9	8
Director	1	1
	<u>63</u>	<u>62</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	275,714	304,638
Company contributions to defined contribution pension schemes	10,000	10,000
	<u>285,714</u>	<u>314,638</u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £275,697 (2021 - £304,638).

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 (2021 - £10,000).

9. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	432	-
	<u>432</u>	<u>-</u>

10. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	-	2,321
	<u>-</u>	<u>2,321</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

11. Tax on profit

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	605,223	555,427
Adjustments in respect of previous periods	(896)	(305)
	<u>604,327</u>	<u>555,122</u>
Total current tax	<u>604,327</u>	<u>555,122</u>
Deferred tax		
Origination and reversal of timing differences	10,967	(7,528)
Total deferred tax	<u>10,967</u>	<u>(7,528)</u>
Taxation on profit	<u>615,294</u>	<u>547,594</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>3,001,009</u>	<u>2,752,537</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	570,192	522,982
Effects of:		
Expenses not deductible for tax purposes	43,450	21,946
Adjustments in respect of previous periods	(896)	(305)
Re-measurement of deferred taxation	2,548	2,971
Total tax charge for the year	<u>615,294</u>	<u>547,594</u>

Factors that may affect future tax charges

From 1 April 2023 the corporation tax rate will increase to 25%.

Notes to the Financial Statements
For the Year Ended 31 December 2022

12. Intangible assets

	Development expenditure £	Computer software £	Total £
Cost			
At 1 January 2022	56,420	127,440	183,860
At 31 December 2022	56,420	127,440	183,860
Accumulated Amortisation			
At 1 January 2022	43,784	125,976	169,760
Charge for the year on owned assets	11,460	1,312	12,772
At 31 December 2022	55,244	127,288	182,532
Net book value			
At 31 December 2022	1,176	152	1,328
At 31 December 2021	12,636	1,464	14,100

Notes to the Financial Statements
For the Year Ended 31 December 2022

13. Tangible assets

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2022	209,441	307,570	517,011
Additions	21,031	62,237	83,268
At 31 December 2022	<u>230,472</u>	<u>369,807</u>	<u>600,279</u>
Accumulated Depreciation			
At 1 January 2022	204,774	260,760	465,534
Charge for the year on owned assets	5,051	35,511	40,562
At 31 December 2022	<u>209,825</u>	<u>296,271</u>	<u>506,096</u>
Net book value			
At 31 December 2022	<u>20,647</u>	<u>73,536</u>	<u>94,183</u>
At 31 December 2021	<u>4,667</u>	<u>46,810</u>	<u>51,477</u>

14. Stocks

	2022 £	2021 £
Finished goods	3,288,952	5,347,661
	<u>3,288,952</u>	<u>5,347,661</u>

An impairment loss of £21,524 (2021 - gain of £21,133) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Notes to the Financial Statements
For the Year Ended 31 December 2022

15. Debtors: amounts falling due within one year

	2022 £	2021 £
Trade debtors	9,337,724	8,475,895
Other debtors	339,971	13,250
Prepayments	408,187	240,655
	<u>10,085,882</u>	<u>8,729,800</u>

Trade debtors are shown net of a provision for doubtful debts of £92,600 (2021 - £18,166).

16. Cash at bank and in hand

	2022 £	2021 £
Cash at bank and in hand	4,413,553	601,581
	<u>4,413,553</u>	<u>601,581</u>

17. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	322,598	328,532
Amounts owed to group undertakings	2,660,323	2,747,493
Corporation tax	-	80,427
Other taxation and social security	1,439,059	1,337,368
Other creditors	752,120	234,000
Accruals	1,194,607	898,290
	<u>6,368,707</u>	<u>5,626,110</u>

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

Notes to the Financial Statements
For the Year Ended 31 December 2022

18. Deferred tax

	2022 £	2021 £
At beginning of year	(12,377)	(19,905)
(Charged)/credited to profit or loss	(10,967)	7,528
At end of year	(23,344)	(12,377)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(23,344)	(12,377)
	(23,344)	(12,377)

19. Called up share capital

	2022 £	2021 £
Allotted, called up and fully paid		
950 (2021 - 950) A Ordinary Shares of £1.00 each	950	950
1,050 (2021 - 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. 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 £163,753 (2021 - £160,570). Contributions totalling £nil (2021 - £nil) were payable to the fund at the balance sheet date.

Notes to the Financial Statements
For the Year Ended 31 December 2022

22. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	353,057	295,076
Later than 1 year and not later than 5 years	422,025	435,676
	<u>775,082</u>	<u>730,752</u>

The Company had no other off-balance sheet arrangements

The company had no capital or other commitments at 31 December 2022 (2021 - £Nil).

23. Post balance sheet events

Since the year end the company has declared and paid a dividend of £1,500,000 (2021 - £Nil).

24. 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 registered address of the parent company Laboratoires Thea SAS is 12 rue Louis Bleriot, Clermont Ferrand, 63017, 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.