Registered number: 06505496

Thea Pharmaceuticals Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2020

DAINS
ACCOUNTANTS

Thea Pharmaceuticals Limited

Company Information

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

Thea Pharmaceuticals Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 26

Business review

The business is currently split into three sectors covering sales 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 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 £25.6m, a 4% decrease on 2019 turnover of £26.7m. The year on year decrease is largely attributed to the Covid-19 pandemic, which caused a significant reduction in the number of cataract operations taking place in hospitals and a reduction in high street demand for OTC products. As a result, the Hospital business was (-£1.2m) down on 2019, and the OTC business (-£0.5m) down on the previous year. The strongest performing division was the Medical division achieving sales growth of +£0.6m (+7%) year on year despite the global pandemic. The business mix remains very healthy, so the company is not reliant on one division or one particular product.

The cost base of the company is mainly composed of sales, marketing and administration overheads. These were at 23% of turnover in 2020 compared to 31% in 2019, reflecting less field sales activity and marketing activity during the UK lockdown periods. In addition, the company continues to focus on maximising returns and productivity from the sales and marketing teams. The company continues to be 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 2020 this rebate percentage was set at 5.9% (9.6% 2019) 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 £6.9m in 2020 (£5.2m 2019). The loan to the parent company Laboratoires Thea has now been repaid in full and no further loan obligations are required.

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 61 staff including 1 Director, increasing from 59 staff the previous year reflecting the continued investment in sales and marketing effort. Closing headcount for the year was 63 staff.

The company continues to operate from the head office at Keele University Science Park and has a further 1 year and 10 months remaining on the existing lease. Discussions are currently ongoing with the landlord to potentially extend the lease and maintain the presence at the prestigious Keele offices.

The company will continue to operate broadly in the same UK markets in 2021, although focus is being given to online business as the company manages the impacts of the Covid-19 pandemic. Sales growth is expected for 2021 with projected growth expected across all sectors. Some exciting new product launches are also expected in 2021 to compliment the organic growth of new and existing customers.

Financial key performance indicators

The following KPIs are used by the Company:

	2020	2019
Turnover £m	25.6	26.7
Costs % of turnover	23	31
Net assets £m	6.9	5.2
Average number of employees	61	59

The average headcount of the business grew to 61 over the year as the company continued growth in the sales teams in order to deliver long term profitable growth. The costs as a percentage of turnover reduced to 23% (2019 - 31%) reflecting the fact that the business incurred less expenditure whilst staff were working from home, and Marketing investment was sensibly managed over the Covid-19 pandemic out-break.

Principal risks and uncertainties

The key risks to the business during the year have been the impact of Brexit and the impact of the Covid-19 pandemic. Both risks have continued to be managed by the Board of Directors and have received particular attention.

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 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 the trade agreement removing duties for imported products was welcome.

The Covid-19 risk has been managed by following Government published advice at all times and close management of the profitability of the business to offset any lost trading profit. It should be noted that no staff were furloughed during the year and no redundancies have been made as a result of the Covid-19 situation. The Covid-19 pandemic remains a risk for the UK business and the impact on the Hospital sector is of some concern. However as in 2019 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 Covid-19 issues.

Other 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 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.

Outside of Brexit and Covid-19 the rebate percentage for the voluntary pricing scheme has been set at 5.1% for 2021, 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 Social Care and other industry groups to manage this risk.

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

Philip Lewis Williams

P H Lewis Williams
Director

Date: 3 September 2021

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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 £1,733,329 (2019 - £1,379,312).

The directors have recommend a dividend payable of £Nil.

Directors

The directors who served during the year were:

H Chibret
J F Chibret
D Ponchon
P H Lewis Williams

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 2020, the Company had net current assets of £6,763,749 (2019 - £4,946,093) and has made a profit in the year of £1,733,329 (2019 - £1,379,312). The company is the UK distributor for Laboratoires Thea SA, 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.

Future developments

The Company will continue to operate broadly in the same UK markets in 2021, although focus is being given to online business as the Company manages the impacts of the Covid-19 pandemic. Sales growth is expected for 2021 with projected growth expected across all sectors. Some exciting new product launches are also expected in 2021 to compliment the organic growth of new and existing customers.

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 for the Company's financial statements 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.

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 director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director 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.

Philip Lewis Williams

P H Lewis Williams
Director

Date: 3 September 2021

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 2020 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 2020; 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

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 2020 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, 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 compliance with medicine license regulations, as well as employment legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 manipulation of results via the posting of unusual journals to revenue. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the internal control environment in relation to revenue recognition and journal postings
- Substantive testing of manual journals crediting revenue and debiting an unexpected account
- Review of legal expense accounts and board minutes for indications of non-compliance
- Reviewing accounting estimates for bias and validating the support behind the assumptions and judgements made by management including challenging against possible alternatives

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.

Matthew Walker

Matthew Walker (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

14 September 2021

Statement of Comprehensive Income
For the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	**25,636,716**	26,712,598
Cost of sales		**(15,235,776)**	(14,458,506)
Gross profit		**10,400,940**	12,254,092
Distribution costs		**(831,520)**	(849,224)
Administrative expenses		**(7,405,204)**	(9,542,418)
Operating profit	5	**2,164,216**	1,862,450
Interest payable and similar expenses	9	**(1,820)**	(13,000)
Profit before tax		**2,162,396**	1,849,450
Tax on profit	10	**(429,067)**	(470,138)
Profit for the financial year		**1,733,329**	1,379,312

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 2020

	Note		2020 £		2019 £
Fixed assets					
Intangible assets	11		**34,135**		67,049
Tangible assets	12		**123,210**		185,843
			157,345		252,892
Current assets					
Stocks	13	**7,261,195**		4,864,320	
Debtors: amounts falling due within one year	14	**7,043,393**		6,220,556	
Cash at bank and in hand	15	**93,568**		134,503	
		14,398,156		11,219,379	
Creditors: amounts falling due within one year	16	**(7,634,407)**		(6,273,286)	
Net current assets			**6,763,749**		4,946,093
Total assets less current liabilities			**6,921,094**		5,198,985
Provisions for liabilities					
Deferred tax	17	**(19,905)**		(31,125)	
			(19,905)		(31,125)
Net assets			**6,901,189**		5,167,860
Capital and reserves					
Called up share capital	18		**2,000**		2,000
Profit and loss account	19		**6,899,189**		5,165,860
Total Equity			**6,901,189**		5,167,860

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Philip Lewis Williams

P H Lewis Williams
Director

Date: 3 September 2021

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 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	2,000	3,786,548	3,788,548
Total comprehensive income for the year			
Profit for the financial year	-	1,379,312	1,379,312
At 31 December 2019 and at 1 January 2020	2,000	5,165,860	5,167,860
Total comprehensive income for the year			
Profit for the financial year	-	1,733,329	1,733,329
At 31 December 2020	2,000	6,899,189	6,901,189

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

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 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 2020, the Company had net current assets of £6,763,749 (2019 - £4,946,093) and has made a profit in the year of £1,733,329 (2019 - £1,379,312). The company is the UK distributor for Laboratoires Thea SA, 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 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 2020 and these financial statements may be obtained from Greffe du Tribunal de Commerce, 40 rue de l'Ange, BP 180, 63005 Clermont-Ferrand cedex 1.

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue 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 revenue 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 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	-	4	years
Development expenditure	-	4	years

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

2.6 Tangible fixed assets

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

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Stock

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

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.

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 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

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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 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 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.13 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. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in 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.

2.15 Borrowing costs

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

2.16 Current and deferred taxation

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

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

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

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

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

2.17 Research and development

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

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

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 £6,830,519 (2019: £5,920,428).

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 £7,261,195 (2019: £4,864,320).

4. Turnover

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

	2020 £	2019 £
Sale of goods	**26,878,272**	27,779,836
Rebates to customers	**(1,241,556)**	(1,067,238)
	25,636,716	26,712,598

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	**11,644,066**	10,335,590
Surgical	**4,273,601**	5,215,217
Medical	**9,719,049**	11,161,791
	25,636,716	26,712,598

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

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	**1,229**	2,535
Depreciation of tangible fixed assets	**83,987**	81,303
Amortisation of intangible assets, including goodwill	**32,914**	35,891
Exchange differences	**1,210**	1,142
Defined contribution pension costs	**154,014**	153,107
Operating lease payments	**360,223**	354,062

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**26,000**	19,800

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

VPAS Scheme (formerly PPRS)	**2,000**	2,000
	2,000	2,000

7. Employees

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

	2020 £	2019 £
Wages and salaries	**3,520,157**	3,379,068
Social security costs	**487,220**	471,215
Other pension costs	**154,014**	153,107
	4,161,391	4,003,390

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

	2020 No.	2019 No.
Sales and Marketing	**52**	51
Administration	**8**	7
Director	**1**	1
	61	59

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**323,962**	269,127
Company contributions to defined contribution pension schemes	**10,000**	10,000
	333,962	279,127

During the year retirement benefits were accruing to one director (2019 - one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £323,962 (2019 - £269,127).

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 (2019 - £10,000).

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	**1,820**	13,000
	1,820	13,000

10. Tax on profit

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	**440,288**	466,563
Adjustments in respect of previous periods	**(1)**	415
	440,287	466,978
Total current tax	**440,287**	466,978
Deferred tax		
Origination and reversal of timing differences	**(11,220)**	3,160
Total deferred tax	**(11,220)**	3,160
Taxation on profit	**429,067**	470,138

10. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	**2,162,396**	1,849,450
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**410,855**	351,395
Effects of:		
Expenses not deductible for tax purposes	**18,213**	112,060
Capital allowances for year in excess of depreciation	**-**	2,978
Adjustments in respect of previous periods	**(1)**	415
Change in tax rate	**-**	3,290
Total tax charge for the year	**429,067**	470,138

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted. Substantive enactment occurred on 24 May 2021 and therefore its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £129,744, to increase the deferred tax liability by £4,935.

11. Intangible assets

	Development expenditure £	Computer software £	Total £
Cost			
At 1 January 2020	**56,420**	**127,440**	**183,860**
At 31 December 2020	**56,420**	**127,440**	**183,860**
Accumulated amortisation			
At 1 January 2020	**15,575**	**101,236**	**116,811**
Charge for the year on owned assets	**14,105**	**18,809**	**32,914**
At 31 December 2020	**29,680**	**120,045**	**149,725**
Net book value			
At 31 December 2020	**26,740**	**7,395**	**34,135**
At 31 December 2019	40,845	26,204	67,049

12. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2020	**209,087**	**278,507**	**487,594**
Additions	**354**	**21,000**	**21,354**
At 31 December 2020	**209,441**	**299,507**	**508,948**
Accumulated Depreciation			
At 1 January 2020	**118,326**	**183,425**	**301,751**
Charge for the year on owned assets	**43,263**	**40,724**	**83,987**
At 31 December 2020	**161,589**	**224,149**	**385,738**
Net book value			
At 31 December 2020	**47,852**	**75,358**	**123,210**
At 31 December 2019	90,761	95,082	185,843

13. Stocks

	2020 £	2019 £
Finished goods	**7,261,195**	4,864,320
	7,261,195	4,864,320

14. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	**6,830,519**	5,920,428
Other debtors	**14,749**	28,597
Prepayments	**198,125**	271,531
	7,043,393	6,220,556

15. Cash at bank and in hand

	2020 £	2019 £
Cash at bank and in hand	**93,568**	134,503
	93,568	134,503

16. Creditors: amounts falling due within one year

	2020 £	2019 £
Loans with group undertakings	-	260,001
Trade creditors	**260,146**	340,499
Amounts owed to group undertakings	**4,908,240**	2,653,193
Corporation tax	**230,710**	238,562
Other taxation and social security	**1,158,254**	1,096,843
Other creditors	**224,000**	633,612
Accruals	**853,057**	1,050,576
	7,634,407	6,273,286

The company in the prior year had an unsecured loan facility with its parent, Laboratories Thea SAS of £2,600,000. Interest was charged on the loan at 2.3% and the loan matured in 2020.

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

17. Deferred taxation

	2020 £	2019 £
At beginning of year	**(31,125)**	(27,965)
(Credit)/Charged to profit or loss	**11,220**	(3,160)
At end of year	**(19,905)**	(31,125)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	**(19,905)**	(31,125)
	(19,905)	(31,125)

18. Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
950 (2019 - 950) A Ordinary Shares shares of £1.00 each	**950**	950
1,050 (2019 - 1,050) B Ordinary Shares 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.

19. Profit and loss account

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

20. 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 £154,014 (2019: £153,107). Contributions totalling £nil (2019: £nil) were payable to the fund at the balance sheet date.

21. 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:

	2020 £	2019 £
Not later than 1 year	**322,054**	345,595
Later than 1 year and not later than 5 years	**235,934**	413,914
	557,988	759,509

22. 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.

23. 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.