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Recipharm Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2020

Registered Number: 08174784

Contents

Corporate Information

DIRECTORS AND OFFICERS
Thomas Eldered (resigned 26 May 2021)
Mark Quick

AUDITORS
Ernst & Young LLP
2 St. Peter's Square
Manchester
M2 3EY

BANKERS
Lloyds Bank
PO Box 358
53 King Street
Manchester
M60 2ES

SOLICITORS
Knights plc
6th floor
Two St Peter's Square
Manchester
M2 3AA

REGISTERED OFFICE
London Road
Holmes Chapel
Lancashire
CW4 8BE

Registration Number: 08174784

STRATEGIC REPORT

Registered No. 08174784

The directors present their report for the year ended 31 December 2020.

Principal Activities and Future Developments

The principal activity of the Company in the year under review was the contract manufacture of branded speciality and generic pharmaceutical products. The Company operates in the UK from a multipurpose manufacturing facility, located in Ashton-under-Lyne, Lancashire. The plant is split into distinct production areas covering the pharmaceutical manufacture of solid dose products and creams/liquids.

The company has full accreditation for the environmental standard ISO14001 along with the health and safety standard OHSAS 18001.

In December 2018 the Board announced their decision to cease the manufacture of products and related service offerings and close the business. This took place in December 2020 and will be followed by voluntary liquidation of the Company which will be undertaken with the ongoing support of the ultimate parent, Recipharm AB. The financial statements have not been prepared on a going concern basis. Details of the basis of preparation are set out in note 2 on page 12. The impact of Covid-19 and Brexit are covered in the Strategic Report.

Analysis of Key Performance Indicators

	2020	2019
	£000's	£000's
Turnover	3,889	5,032
Operating loss for the financial year	(855)	(8,607)
Shareholder's (deficit)	(11,770)	(12,241)
Current assets as % of current liabilities	31%	31%
Average number of employees	63	125
	2020	**2019**
Gross loss margin %	(-%)	(-%)
Debtor days	447	57
Inventory days on hand	-	90
Sales per employee	£62k	£43k

Business Review – Statement of income

During the year, the Company generated turnover of £3.9m (2019: £5.0m). This sales reduction is part of a managed cessation of business. The Company's operating result was a £0.9m loss (2019: loss of £8.6m) which was generated as a result of the sale of the Company's plant and machinery to third parties and other Group companies partially offsetting the costs of the settlement of a long-standing legal dispute.

Business Review – Statement of financial position

Total assets decreased to £5.2m (2019: £5.5m)
Current liabilities at the end of the year were £16.8m (2019 £17.7m). The most significant element is parental loans of £13.4m, an increase of £3.4m from £10.0m 2019.

Business Review – Cash

The Company received a further £3.4m (2019: £6.0m) from the ultimate parent company during the year.

Debtor days: trading terms are usually 30 days.

Creditor days: the Company pays suppliers to trading terms.

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are as follows:

- **Going concern risk**: The Company is financed by a loans provided by Recipharm AB (publ). On 18/12/2018 the Directors announced their decision to close the Company and closure was completed during December 2020.

- **Currency risk**: The Company purchases goods, in particular API's in currencies other than sterling. There are currently no hedging strategies in place and a proportion of these goods purchased in other currencies are available only from one approved source.

- **Regulatory risk:** The Company, like all pharmaceutical manufacturers has to meet ever stricter GMP guidelines set by the MHRA. The Company attempts to mitigate this risk by employing Qualified Persons ("QP") whose primary objective is to implement robust Quality Assurance systems, to ensure that product is released to the utmost quality standards. The MRHA have been kept informed throughout the closure process.

Signed by order of the board of directors

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Mark Quick, Director.
Approved by the directors on 11th February 2022

Registered office:
London Road
Holmes Chapel
Cheshire
CW4 8BE

DIRECTORS' REPORT

Directors of the Company

The directors who served the Company during the year and to date were as follows:

- Thomas Eldered (resigned 26 May 2021)
- Mark Quick

None of the directors holding office at 31 December 2020 had notified a beneficial interest in any contract to which the Company was a party during the financial year.

Dividends

The directors have not recommended a dividend (2019: nil).

Research and development

The Company does not undertake research and development of new products for itself but will perform process improvements, batch size changes and analytical developments on behalf of customers.

Financial instruments

Financial assets and liabilities used by the Company comprise mainly trade receivables and payables, cash and parent company loans. The company trades with other group companies which somewhat mitigates risk. The company has access to one source of finance through its parent company. The directors have received an undertaking from the parent company that the financing will not be recalled for payment for a period of at least twelve months from the date of signing the financial statements.

Going concern

The financial statements are not prepared on the basis that the Company will continue to trade as a going concern. The company is financed by loans provided by Recipharm AB ("the parent company"). These loans totalled £13.4m at balance sheet date and are repayable in full upon thirty days notification. Loans have been classified as an amount payable within one year resulting in a net current liability and net liability positions at the balance sheet date. On 18 December 2018, the Directors announced the decision to begin the process that will conclude with the closure of the business. This took place in December 2020 and will be followed by voluntary liquidation of the Company which will be undertaken with the ongoing support of the ultimate parent, Recipharm AB. At the date of this report the only liabilities owed by the company were to the parent company and fellow group undertakings. The directors have received written confirmation from the directors of Recipharm AB that the company will continue to provide financial support for the period to 28 February 2023 and will not seek repayment of the loan during this time.

Impairments and disposals of assets

Following the decision to close, an exercise to estimate the carrying value of stock and fixed assets at the time of closure was prepared, based on the production plan to closure. As part of closure the Company sold all inventory and fixed assets to third parties and other Group companies.

Closure provisions

All provisions related to the closure were consumed as of 31.12.2020.

Post balance sheet events

Settlement of Legal Dispute:

After the period end, in August 2021, the Company reached a settlement with a customer relating to a long standing legal dispute. The full settlement amount including expenses was paid in two tranches in August and October 2021. As this settlement relates to a condition which existed at the balance sheet date, this is considered as an adjusting post balance sheet event. The accrual included in the financial statements has been adjusted to reflect the value of this settlement.

Political donations

No political donations were made during the year (2019: nil).

Disabled employees

The Company does give full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.
Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company places considerable value on the investment of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through both regular formal and informal meetings. Employee representatives are consulted regularly.

Disclosure of information to the Auditors

The Directors who were members of the board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and the Company's auditors, each of these Directors confirms that:

- So far as each person who was a Director at the date of approving this report is aware, there is no information that is, information needed by the Company's auditors in connection with preparing their report, of which the Company's auditors are unaware; and
- Each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

A resolution to reappoint Ernst and Young LLP as auditors will be put to the members at the Annual General Meeting.

Signed by order of the board of directors

DocuSigned by:

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Mark Quick, Director.

Approved by the directors on 11th February 2022

Registered office:
London Road, Holmes Chapel, Cheshire CW4 8BE

DIRECTORS' RESPONSIBILITIES STATEMENT

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. 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.

INDEPENDENT AUDITOR'S REPORT
to the members of Recipharm Limited

Opinion

We have audited the financial statements of Recipharm Limited for the year ended 31 December 2020 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which explains the directors intend to close the business and therefore do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT
to the members of Recipharm Limited (Continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations including health and safety, and General Data Protection Regulation (GDPR).
- We understood how Recipharm Limited is complying with those frameworks by making enquiries of management, and those responsible for legal and compliance procedures, to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries by reviewing supporting documents including board meeting minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the risk of management override and assumed revenue recognition to be a fraud risk, specifically as a result of manual journals posted at the year end. We incorporated data analytics into our audit approach to assist in our targeted review of manual journals, including segregation of duties, and our testing of revenue recognition. We tested specific transactions back to source documentation. In the current period we incorporated a focus the costs associated with the site closure and tested a sample of costs back to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journal entries identified by specific risk criteria which could indicate any non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Anne Schmitt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

11 February 2022

INCOME STATEMENT
For the year ended 31 December 2020
Registered Number: 08174784

	Notes	2020 £000's	2019 £000's
Turnover – discontinued activities	**3**	**3,889**	5,032
Cost of sales		**(3,889)**	(5,032)
Gross loss		**-**	-
Administrative expenses – normal		**-**	(45)
Administrative expenses – exceptional closure expense	**21**	**(1,851)**	(8,777)
Administrative expenses – total		**(1,851)**	(8,822)
Other operating income		**996**	215
Operating loss	**4**	**(855)**	(8,607)
Interest payable and similar costs	**8**	**-**	(135)
Loss on ordinary activities before taxation		**(855)**	(8,742)
Taxation	**9**	**1,291**	3,001
Profit/(loss) for the financial year		**436**	(5,741)

The results for the year are derived wholly from activities that ceased with the closure of the business.

There are no recognised gains or losses other than those shown above; therefore no separate statement of other comprehensive income is presented.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
Registered Number: 08174784

	Share Capital £000's	Profit and loss account £000's	Total £000's
At 1 January 2019	11,722	(18,151)	(6,429)
Loss for the financial year		(5,741)	(5,741)
Total comprehensive expense for the year		(5,741)	(5,741)
Share-based incentive programme	-	(72)	(72)
At 31 December 2019	11,722	(23,963)	(12,241)
Profit for the financial year		436	436
Total comprehensive income for the year		436	436
Share-based incentive programme	-	35	35
At 31 December 2020	11,722	(23,492)	(11,770)

BALANCE SHEET
As at 31 December 2020
Registered Number: 08174784

	Notes	2020 £000's	2019 £000's
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	-	-
Current assets			
Stocks	12	-	1,239
Debtors	13	4,315	3,793
Cash at bank and in hand		612	466
		4,927	5,498
Creditors: amounts falling due within one year	14	(16,697)	(17,739)
Net current liabilities		(11,770)	(12,241)
Total assets less current liabilities		(11,770)	(12,241)
Net liabilities		(11,770)	(12,241)
Capital and reserves			
Share capital	15	11,722	11,722
Profit and loss account		(23,492)	(23,963)
Shareholders' deficit		(11,770)	(12,241)

The notes on pages 12 to 22 form an integral part of these financial statements.

These financial statements were approved and authorised by the Board of Directors on 11th February 2022.

Signed on behalf of the Board of Directors:

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Mark Quick,
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Recipharm Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 11th February 2021 and the balance sheet was signed on the board's behalf by Mark Quick. Recipharm Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000's) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Recipharm AB, a company incorporated in Sweden.

The results of Recipharm AB are included in the consolidated financial statements of Recipharm AB which are available online at www.recipharm.com.

The principal accounting policies adopted by the Company are set out in note 2.

Disclosure exemptions that have been applied are set out in note 2.1.

2. Accounting policies

2.1 Basis of preparation

During the financial year the company has ceased operations this will be followed by voluntary liquidation of the Company which will be undertaken with the ongoing support of the ultimate parent, Recipharm AB. In these circumstances it is not appropriate to prepare the financial statements on a going concern basis. As liquidation is not imminent and there will be an orderly cessation of activities, the directors have determined that the accounting policies applied to individual items should be consistent with those adopted in the prior year. However, these plans have led to the impairment of inventory being recognised during the period.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: (i) the share based payment arrangement concerns the instruments of another group entity;

(b) the requirements of IFRS 7 Financial Instruments: Disclosures;

(c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

(d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

(e) the requirements of IAS 7 Statement of Cash Flows;

(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and

(j) the requirement in paragraphs 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of;

- Paragraph 79(a)(iv) of IAS;
- Paragraph 73(e)(e) of IAS 16 Property, Plant and Equipment;
- Paragraph 118(e) of IAS 38 Intangible Assets.

2.1 Basis of preparation (continued)

Going concern

The financial statements are not prepared on the basis that the Company will continue to trade as a going concern. The company is financed by loans provided by Recipharm AB ("the parent company"). These loans totalled £13.4m at balance sheet date and are repayable in full upon thirty days notification. Loans have been classified as an amount payable within one year resulting in a net current liability and net liability positions at the balance sheet date. On 18 December 2018, the Directors announced the decision to begin the process that will conclude with the closure of the business. This took place in December 2020 and will be followed by voluntary liquidation of the Company which will be undertaken with the ongoing support of the ultimate parent, Recipharm AB. At the date of this report the only liabilities owed by the company were to the parent company and fellow group undertakings. The directors have received written confirmation from the directors of Recipharm AB that the company will continue to provide financial support for the period to 28 February 2023 and will not seek repayment of the loan during this time.

2.2. Significant accounting policies

The principal accounting policies which have been applied consistently are set out below.

Foreign currency translation

The company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Intangible assets and amortisation

Intangible assets are recognised at acquisition cost, less accumulated amortisation during the estimated useful life, and less any impairment losses. Straight-line amortisation applies to all intangible assets from the time the asset is put into service as follows:

Computer software	5 years

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on tangible fixed assets on a straight-line basis over its expected useful life as follows:

Plant, machinery and vehicles	3 -10 years
Fixtures and fittings	5 years
Assets under construction	not depreciated until complete and moved to the relevant asset category

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

Stocks

Stock, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined on standard cost basis, and in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the stocks can be realised, and, where appropriate, the cost of conversion from their existing state into a finished condition. Provision is made for obsolete, slow moving or defective items where appropriate.

Turnover & revenue recognition

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 at the fair value of the consideration received, excluding discounts, rebates, 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 the significant risks and rewards of ownership of the goods have passed to the buyer, usually when the product has been released and items are ready for collection.

- Rendering of services

Revenue from services is usually recognised when the service is complete.

2.2. Significant accounting policies (continued)

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Operating lease commitments

The Company has entered into property, plant and equipment leases and as a lessee it obtains the use of the property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the year of the lease.

Financial Instruments

Financial instruments recognised on the balance sheet include, on the assets side, cash and cash equivalents and accounts receivables. The liabilities side includes accounts payable and borrowings.

A financial asset or liability is recognised in the statement of financial position when the Company becomes party to the contractual conditions of the instrument. An accounts receivable is recognised in the financial position when the invoice is sent. A liability is recognised when the counterparty has performed a service or supplied a product and there is a contractual obligation to pay, even if the invoice has not been received, Accounts payable is recognised when the invoice has been received and approved.

A financial asset is removed when the rights in the contract are realised, expire or the Company loses control of them. A financial liability is removed when the commitment in the contract has been fulfilled or otherwise extinguished.

Financial assets and liabilities are classified in different categories for subsequent recognition and measurement as per the principles that apply to each category. The instruments are categorised according to the purpose of the holding. Management determines the category of each instrument upon initial recognition.

i) Accounts receivables and other current receivables

Accounts receivable represent the majority of this category and are initially recognised on the balance sheet at original invoiced value when the invoice is sent. A provision is made for expected credit losses and impairment when there is objective evidence and other indicators that the Company will not be able to obtain the entire amount due based on the original terms of the receivable.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii) Non-current liabilities

Parent company loans with due dates more than 12 months from the balance sheet date represent the largest amount of non-current liabilities. Loans are initially recognised at acquired amount and thereafter at the acquired amount less repayment made at the balance sheet date.

iv) Accounts payable and other current liabilities

Accounts payables are initially recognised at invoice value and associated taxes. Accounts payable are recognised when the invoice is received and approved. Other current financial liabilities are recognised initially at accrued value.

v) Provisions

Provisions are recognised when the Company has or can be regarded as having a commitment as a result of past events and it is probable that payments will be required to fulfil the commitment. Provisions are measured at management's best estimate of the expenditure required to settle the obligation, at the reporting date.

vi) IFRS 15 Revenue from contracts

Changes to revenue recognition required as a result of applying this standard nil (2019 £nil)

2.2. Significant accounting policies (continued)

vii) IFRS 9 Financial instruments

Trade debtors, cash and bank, trade creditors etc. are already recognised at amortised cost which is in line with IFRS 9 and no adjustments to comparatives will be required. The exception for the above treatment is the Share Options which are valued at fair value through the profit and loss account. This approach is also compliant with the IFRS 9 and therefore no adjustments will be required as a result this standard.

viii) IFRS 16 Leases

IFRS 16 - Leases was issued in January 2016 which provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all operating leases unless the term is 12 months or less or the underlying asset has a low value. At the transition date of 1 January 2019, the remaining term of the Company's property lease was less than 12 months. As a result, no right of use asset or liability was recognised at the date of implementation or at the Balance Sheet date.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.
Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.
Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited to equity if it relates to items that charged or credited direct to equity. Otherwise income tax is recognised in the profit and loss account.
The Company's tax liability is reduced using taxable losses from fellow UK subsidiaries within the group. These taxable losses are transferred between entities within the same tax group based on market value.

Pension and other post-employment benefits

Contributions to defined contribution schemes are recognised in the profit and loss account in the year they become payable.

Interest income and expense

Interest income and expense is recognised as the interest accrues at the interest rate in place.

Share-based incentive program

The Group operates a share-based incentive program, and the first one was issued in 2014 and was finalised in 2017. The cost for the program amounted to SEK 10.6 million based on share price at the end date of SEK 108.00 per share, corresponding to 66,585 shares.
72 employees (2019: 72) in the Company participate in the program. The total share-based incentive program recognised as equity expenses in the Company during year was £24k (2019: £72k).

2.3. Judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Key sources of estimation and uncertainty at the reporting date are discussed below

Taxation
Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Stock Provisions
Stock provisions are recognised for obsolete, slow moving and rejected stock and represent the expected write-down between the net realisable value and original cost. Net realisable value is estimated selling price less estimated costs to complete. Stock provisions are reviewed monthly.

Closure Provisions
Closure provisions recognise the best estimate of future closure related cost at the reporting date. For closure provisions utilised in 2020 see note 21

Notes to the financial statements

3. Turnover

Turnover is generated exclusively at the Ashton-under-Lyne site in the UK from operations which ceased during 2020. Turnover recognised in the income statement is analysed as follows.

	2020 £000's	2019 £000's
Sales of Goods	**2,813**	3,930
Rendering of Services	**1,076**	1,102
Turnover from discontinued activities	**3,889**	5,032

The geographical segmental results for turnover by invoice destination are as follows.

	2020 £000's	2019 £000's
Turnover by destination		
United Kingdom	**1,739**	1,347
Rest of Europe	**2,143**	3,590
Rest of the World	**7**	95
	3,889	8,986

4. Operating loss for the year

This is stated after charging:	2020 £000's	2019 £000's
Operating lease charges	**186**	186
Staff costs (see note 6)	**3,102**	4,370
Foreign exchange loss	**14**	48
Stocks recognised as expense	**587**	1,994
Other operating income	**(996)**	(215)
Exceptional closure expense (see note 21)	**1,851**	8,777

Other Operating Income includes proceeds from disposal of fixed assets and surplus stock

5. Auditor's remuneration

	2020 £000's	2019 £000's
Audit of Company's financial statements	**25**	40
Audit of Group Companies	**0**	5
Total fees	**25**	**45**

6. Staff costs and directors' remuneration

(a) Staff Costs

Their aggregate remuneration comprised (excluding directors):

	2020 £000's	2019 £000's
Wages and salaries	**2,485**	3,741
Social security costs	**252**	347
Other pension costs	**334**	252
Share based expenses	**32**	30
	3,102	4,370

The average monthly number of people employed by Recipharm Limited during the year was as follows (excluding directors):

	2020 No.	2019 No.
Manufacturing	**52**	110
Administration	**11**	15
	63	125

(b) Directors' remuneration

Neither of the Directors serving during the year received any remuneration directly from the Company (2019: nil). Directors remuneration is paid directly from other Recipharm group Companies. Their remuneration in respect of Recipharm Ltd was wholly immaterial, compared to Recipharm group as a whole and therefore no director' remuneration has been allocated to this entity during the year (2019: £32k).

7. Pension costs

The Company operates a defined contribution pension scheme and contributes into the scheme. The scheme is administered by a trustee company. Pension contributions payable by the Company to the scheme are charged to the profit and loss account as they become payable within the rules of the scheme. Contributions outstanding at the balance sheet date were nil. (2019: £32k)

8. Interest payable and similar charges

	2020 £000's	2019 £000's
Interest payable on intercompany loan	-	135
	-	135

As part of its ongoing financial support to the Company the parent company has waived the accrual of interest for the Year 2020.

9. Taxation

(a) Tax charged in the income statement

	2020 £000's	2019 £000's
Current income tax:		
UK corporation tax on loss for the year	**(1,199)**	(2,729)
Adjustment in respect of prior period	**(92)**	(272)
Total current income tax	**(1,291)**	(3,001)
Deferred tax:		
Origination and timing difference	**-**	-
Total deferred tax	**-**	-
Tax expense in the income statement	**-**	-

The current year tax credit arises entirely from group relief receivable.

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £000's	2019 £000's
Loss on ordinary activities before tax	**(855)**	(8,742)
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2019: 19%)	**(163)**	(1,661)
Effect of:		
Permanent differences	**311**	46
Adjustment for prior period	**(92)**	(272)
Losses extinguished on cessation of business	**461**	-
Recognition of previously unrecognised deferred tax	**(1,795)**	(1,114)
Share Options	**(13)**	-
Total tax credit reported in the income statement	**(1,291)**	(3,001)

(c) Change in Corporation Tax rate

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2020 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and will be included in the results of the next accounting period.

(d) Unprovided deferred tax

	2020 £000's	2019 £000's
Accelerated capital allowances	**-**	(614)
Other timing differences	**(22)**	(480)
Losses	**-**	(614)
Share Options	**(24)**	-
	(46)	(1,708)

Notes to the financial statements

10. Intangible assets

	Computer Software £000's	Total £000's
Cost		
At 1 January 2020	227	227
Disposals	(227)	(227)
At 31 December 2020	-	-
Amortisation & Impairment		
At 1 January 2020	227	227
Disposals	(227)	(227)
At 31 December 2020	-	-
Carry amount:		
At 31 December 2020	-	-
At 31 December 2019	-	-

11. Tangible assets

	Plant machinery and vehicles £000's	Fixtures and fittings £000's	Assets under construction £000's	Total £000's
Cost				
At 1 January 2020	4,391	30	34	4,455
Disposals	(4,391)	(30)	(34)	(4,455)
At 31 December 2020	-	-	-	-
Depreciation & Impairment				
At 1 January 2020	4,391	30	34	4,455
Disposals	(4,391)	(30)	(34)	(4,455)
At 31 December 2020	-	-	-	-
Carry amount:				
At 31 December 2020	-	-	-	-
At 31 December 2019	-	-	-	-

Assets under construction relate to asset purchases that are not fully in use at the balance sheet date.

12. Stocks

	2020 £000's	2019 £000's
Raw materials	-	2,505
Work in progress	-	1,581
Finished goods and goods for resale	-	688
	-	4,774
Write-down / obsolescence reserve:		
Raw materials	-	(1,853)
Work in progress	-	(1,425)
Finished goods and goods for resale	-	(258)
	-	(3,536)
Stocks recognised at net realisable value	-	1,239

13. Debtors

	2020 £000's	2019 £000's
Trade debtors	-	487
Amounts owed by Group undertakings	-	199
Prepayments and accrued income	**23**	106
Amounts owed by other Group companies	**4,292**	3,001
	4,315	3,793

The amounts owed by Group undertakings are trading balances which are unsecured, subject to statutory interest charges for late payments and payable per invoice terms.

The amounts owned by other Group companies relate to amounts due in respect of group tax relief.

14. Creditors: amounts falling due within one year

	2020 £000's	2019 £000's
Parent Company loan	**13,395**	9,975
Trade creditors	**7**	702
Amounts owed to Group undertakings	**11**	57
Amounts owed to Parent Company	**793**	694
Other taxes and social security costs	**86**	-
Accruals and deferred income	**2,405**	372
Closure provisions (note 20)	**0**	5,939
	16,697	17,739

Parent Company loan bears interest at LIBOR 6 month plus 4% and is repayable on demand upon 30 days notice. As part of the Parent Company's ongoing financial support for the Company interest accruing to the Parent Company has been waived for 2020.

The amounts owed to Group undertakings and Parent Company are trading balances which are unsecured, subject to statutory interest charges for late payments and payable per invoice terms.

15. Called up share capital

	2020 £000's	2019 £000's
Allotted, called up and fully paid		
11,722,377 ordinary shares of £1 each (2019: 11,722,377)	**11,722**	11,722

16. Obligations under leases

Operating lease agreements

The Company's commercial leases, including that for the occupation of the Ashton site expired during 2020 when the site was sold to a third party. In 2019 the Company's leases had an average duration of less than one year.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Leases which expire:	2020 £000's	2019 £000's
Not later than one year	-	488
After one year but not more than five years	-	-
After five years	-	-
	-	488

17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £0m. (2019: £0m)

18. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed in note 6. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

19. *Ultimate Group undertaking*

Acquisition of Recipharm AB by EQT

On 14 December 2020, EQT IX, through Roar BidCo AB, announced a public offer of SEK 220 in cash per share to the shareholders of Recipharm AB (publ), the Company's ultimate parent undertaking. On 28 January 2021, it was announced that the price in the offer had increased to SEK 232 for each share in Recipharm AB (publ). A revised offer document was published on 28 January 2021 and the acceptance period for the offer expired on 12 February 2021. On 15 February 2021, Roar BidCo announced that the offer was unconditional as they owned 95.1% of the shares in Recipharm AB and initiated a compulsory redemption of the remaining shares. As a result, Recipharm AB delisted from the Nasdaq Stock Exchange and the final day of trading was 5 March 2021.

20. Provision for liabilities and charges

The Company has concluded a series of programs to close in an organised and timely manner. These include support for product transfers, stock build and validation exercises to determine the condition of assets, culminating in them being sold or scrapped. Closure provisions also included the cost of employee redundancy programmes and the termination of customer and supplier arrangements. Provisions for closure were as follows:

Closure provision:	**2020**	2019
	£000's	£000's
At 1 January 2020	5,939	4,870
Provided during year	-	3,133
Utilised	(5,939)	(2,064)
At 31 December 2020	-	5,939

21. Closure decision

The Company closed its operating facility in December 2020. Exceptional administrative expenses related to the closure were:

Exceptional administrative expenses	**2020**	2019
	£000's	£000's
- Write down of intangible assets	-	-
- Write down of tangible assets	-	-
- Recognition of closure provision	-	3,133
- Exceptional closure expenses	1,851	5,644
Total	1,851	8,777

The provisions cover severance and onerous contract costs flowing from the decision to close and reflect management's estimate of closure costs and losses which are expected to be utilised in the next two years. The Company will undertake appropriate projects to ensure a managed closure including the appraisal of fixed assets and current assets as part of preparation for break-up valuation. Losses in 2020 were higher than the provision set aside and all closure provisions were consumed as of 31.12.2020.

22. Events after the balance sheet date

Closure activities:

Closure activities commenced from February 2020 through to December 2020 when the Company ceased trading and the site was sold. These closure activities included product discontinuation, disposal of fixed asset and inventory and a formal redundancy process for all employees. The Directors are now looking to wind up the business in an orderly process now that the company has ceased trading.

Settlement of Legal Dispute:

After the period end, in August 2021, the Company reached a settlement with a customer relating to a long standing legal dispute. The full settlement amount including expenses was paid in two tranches in August and October 2021. As this settlement relates to a condition which existed at the balance sheet date, this is considered as an adjusting post balance sheet event. The accrual included in the financial statements has been adjusted to reflect the value of this settlement.