

Registered number: 00185947

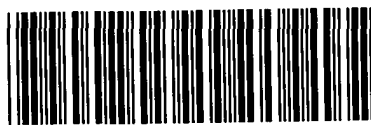
THORNTON & ROSS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

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Directors	D George L Slegers
Company Secretary	J Alpin
Company Number	00185947
Registered Office	Linthwaite Laboratories Linthwaite Huddersfield HD7 5QH
Bankers	Barclays Bank plc 17 Market Place Huddersfield HD1 2AB
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Baxter Caulfield 13 Station Street Huddersfield HD1 1LY Kuit Steinart Levy LLP 3 St Mary's Parsonage Manchester M3 2RD

The Directors present their report, together with the Financial Statements and auditor's report, for the year ended 31 December 2014. The 2013 comparatives comprise the period 1 April 2013 to 31 December 2013.

PRINCIPAL ACTIVITY

The Company's principal activity during the year continued to be that of the manufacture and distribution of pharmaceutical and household products. Details on future developments are disclosed in the Strategic Report.

DIVIDENDS

An interim dividend of £7,952,919 was paid on 23 October 2014. The Directors do not recommend the payment of a final dividend.

DIRECTORS

The Directors of the Company during the year ended 31 December 2014 were:

D George
L Slegers
G Adams (resigned 4 February 2014)
C A Brierley (resigned 4 February 2014)
B Close (resigned 4 February 2014)
B Draude (resigned 4 February 2014)
N Edwards (resigned 4 February 2014)

RESEARCH AND DEVELOPMENT

The Company is committed to product and process development and continues to invest in a number of initiatives to develop new products and ingredients, validate new processes and investigate chemistry related product issues. In addition the Company spends money on stability studies for new products and also small-scale clinical studies of new products. The amount expensed to profit or loss during the year for research and development activities was £1,406,979 (period ended 31 December 2013: £1,750,241).

EMPLOYMENT

Disabled persons are employed and trained whenever their aptitude and abilities allow and suitable vacancies are available. Where an employee becomes disabled, an attempt is made to continue his or her employment and to arrange appropriate re-training or transfer if necessary.

Regular meetings are held involving employees and management at which employees are informed of matters concerning them, company development and financial and economic factors affecting the performance of the Company.

PROVISION OF INFORMATION TO AUDITOR

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Under section 487 of the Companies Act 2006, PKF Littlejohn LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the Registrar, whichever is earlier. PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

STATUS OF THIS DIRECTORS' REPORT

This report was approved by the board on 28 September 2015 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'D George', written in a cursive style.

D George
Director

The Directors present their Strategic Report for the year ended 31 December 2014.

REVIEW OF THE BUSINESS

Following the acquisition of the business by Stada Arzneimittel in August 2013, the Group conducted a review of its operations in the UK and it was decided that Thornton & Ross would take over the majority of the operation of Genus Pharmaceuticals, a fellow UK subsidiary. This change took effect from 1 January 2014 with Thornton & Ross taking responsibility for the selling, purchasing and management of the Genus Pharmaceuticals products from that date. The former administration centre of Genus Pharmaceuticals in Newbury, Berkshire was closed in January 2014 and, although the staff of Genus Pharmaceuticals were offered the opportunity to relocate to the Thornton & Ross site in Huddersfield, West Yorkshire, only a few did so. This meant that a number of new staff were recruited by Thornton & Ross during the early months of 2014.

With the integration of Genus Pharmaceuticals, the volume of products that were being stored and delivered to customers exceeded the space available at the Company's premises in Linthwaite, Huddersfield. This led to a review of our storage and distribution facilities with the result that we outsourced our finished goods storage and distribution activities from September 2014. Although a number of roles were declared redundant as a result of this change, most of the staff affected were offered alternative employment at the Linthwaite site.

During the year we continued to expand our product range with the acquisition of the UK rights to the Flexitol footcare product in June 2014. During 2014 we also spent much time negotiating the acquisition of Internis Pharmaceuticals Ltd, a specialist pharmaceutical company offering Vitamin D3 products to the UK market. This was successfully concluded by our immediate parent company, Stada UK Holdings Ltd, in December 2014. In addition to acquisitions, we have developed and launched a number of new products including new fragrances in the Zoflora disinfectant range, new sugar-free Covonia cough medicines, and Metanium in a handy spray as an alternative to an ointment.

The business is now selling into both the OTC market and the Prescription market in the UK and also internationally with Thornton & Ross products on sale in over 80 countries of the world. This gives the business a greater geographical spread, a wider product portfolio and a market sector diversification which makes us a stronger and more resilient business.

During 2014 we have invested in our production facilities and also in our site with the commencement of a new Technical and Development Centre which has been completed in 2015. This provides modern state-of-the-art laboratory space for our development team, as well as our regulatory and quality team.

Trading during the year was in line with our targets, helped by stable selling prices and relatively stable material costs. The falling oil price and a weaker Euro currency at the end of 2014 helped to ease cost pressures. The principal risks faced by the business have not changed during 2014, but the increased spread of the business helps to mitigate some of these.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key risks inherent in the Company's sphere of activity include:

- Advances in drug technology rendering our products obsolete;
- Research or experience demonstrating that one or more of the ingredients in our products is harmful;
- Regulatory authorities withdrawing a licence or permit; and
- Loss of key personnel with specialist knowledge.

We also face the risks of an incident in our factory resulting in loss of production facilities, contamination of air or water affecting our products, loss of distribution via our customers, denial of entry to certain markets, and the interruption of supplies of both ingredients and bought in products through problems faced by our suppliers in their business. In addition, there are the risks of theft, fraud, property damage etc faced by all businesses. We seek to manage these risks by operating with clearly defined procedures, by maintaining equipment and site cleanliness to a high standard, and by closely monitoring technical and regulatory developments.

KEY PERFORMANCE INDICATORS ("KPIs")

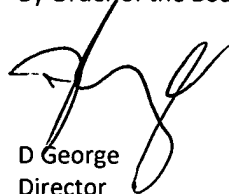
The Board monitors the activities and performance of the Company on a regular basis. The Board uses both financial and non-financial indicators based on budget versus actual and prior years to assess the performance of the Company. The financial indicators set out below were used during the year ended 31 December 2014 and will continue to be used by the Board to assess performance over the year to 31 December 2015.

Key area	Activity	KPI indicator	Commentary
Gross profit margin	Analysis of gross profit by product group	Gross profit as a percentage of revenue	Gross Profit margin decreased from 44.7% to 44.6%. Gross Profit margin has decreased due to a change in the composition of the Company's sales.
Operating profit margin	Analysis of operating profit	Operating profit (excluding other gains/(losses) as a percentage of revenue	Operating profit margin increased from 19.5% to 22.3%. Operating Profit Margin has increased due the benefit of reporting a full year compared with the 9 month comparative period. A full business cycle takes into account the seasonality of our product range. This has made the business more efficient by spreading our overhead costs across a greater level of sales with a resulting increase in Operating Profit Margin.
Working capital management	Collection of debtors	Debtor days	Debtor days increased from 95 days to 109 days, whilst the average monthly collection rate was in line with the previous period.

FUTURE DEVELOPMENTS

The Directors anticipate a continuing growth in sales of the Company's products, supplemented with further acquisitions of appropriate brands and technology. The completion of our Technical and Development Centre in 2015 enables us to recruit more development staff and conduct more development work to support future growth. Investment in additional manufacturing and packing facilities for creams and gels in 2015 will also support our next phase of growth, with further investment planned in future years.

By Order of the Board



D George
Director

28 September 2015

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 THORNTON & ROSS LIMITED

We have audited the Financial Statements of Thornton & Ross Limited for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

PKF Littlejohn LLP

David Thompson (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

29 September 2015

		Year ended 31 December 2014 £	Period ended 31 December 2013 £
Continuing Operations	Note		
Revenues	5	80,914,272	50,162,476
Cost of sales	7	(44,849,922)	(27,745,151)
Gross Profit		36,064,350	22,417,325
Selling and distribution expenses	7	(8,374,246)	(3,765,588)
Marketing expenses	7	(3,717,169)	(4,443,857)
Research and development expenses	7	(1,406,979)	(1,750,241)
General and administrative expenses	7	(4,744,716)	(3,038,277)
Other gains	6	222,689	400,000
Operating Profit		18,043,929	9,819,362
Finance income	9	59,593	110,444
Finance costs	10	(1,000)	(18,000)
Profit before Tax		18,102,522	9,911,806
Income tax expense	13	(4,006,496)	(1,214,058)
Profit for the year/period attributable to Equity Shareholders		14,096,026	8,697,748
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurements of post employment benefit obligations	25	(435,000)	(628,000)
Deferred tax relating to post employment benefit obligations		94,000	(628,000)
Other Comprehensive Income for the year/period, net of tax		(341,000)	(1,256,000)
Total Comprehensive Income for the year/period attributable to Equity Shareholders		13,755,026	7,441,748

The accompanying notes are an integral part of these financial statements.

THORNTON & ROSS LIMITED

Registered number: 0185947

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2014	31 December 2013
Assets		£	£
Non-Current Assets			
Property, plant and equipment	15	15,329,753	14,660,476
Intangible assets	16	13,937,181	3,910,238
Investment in subsidiary undertakings	17	801,050	801,050
Deferred income tax asset	23	-	375,091
Post-employment benefits	25	85,000	554,000
Trade and other receivables	19	500,000	500,000
		30,652,984	20,800,855
Current Assets			
Inventories	18	17,006,409	17,925,336
Trade and other receivables	19	31,333,928	18,340,537
Cash and cash equivalents	20	9,547,393	8,577,324
		57,887,730	44,843,197
Total Assets		88,540,714	65,644,052
Equity and Liabilities			
Attributable to Equity Shareholders of the Company			
Share capital	21	31,554	31,554
Share premium	21	1,007,853	1,007,853
Other reserves		103,783	103,783
Retained earnings		49,548,543	43,746,436
Total Equity		50,691,733	44,889,626
Liabilities			
Non-Current Liabilities			
Provisions for other liabilities and charges	26	167,102	174,356
Deferred income tax liabilities	23	101,800	111,000
Trade and other payables	22	250,000	500,000
		518,902	785,356
Current Liabilities			
Trade and other payables	22	37,302,188	19,147,891
Current income tax liabilities		27,891	821,179
		37,330,079	19,969,070
Total Liabilities		37,848,981	20,754,426
Total Equity and Liabilities		88,540,714	65,644,052

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 28 September 2015.

.....
D George
Director

The accompanying notes are an integral part of these financial statements.

	Ordinary shares £	Share premium £	Capital redemption £	Retained earnings £	Total equity £
As at 1 April 2013	30,954	8,453	103,783	61,455,188	61,598,378
Profit for the period	-	-	-	8,697,748	8,697,748
Re-measurements of post employment benefit obligations	-	-	-	(628,000)	(628,000)
Deferred tax relating to re-measurement of post employment benefit obligations	-	-	-	(628,000)	(628,000)
Total Comprehensive Income for the period	-	-	-	7,441,748	7,441,748
Dividends	-	-	-	(25,150,500)	(25,150,500)
Cancellation of put and call option over C Ordinary shares	600	999,400	-	-	1,000,000
Total contributions by and distributions to owners of the Parent, recognised directly in equity	600	999,400	-	(25,150,500)	(24,150,500)
As at 31 December 2013	31,554	1,007,853	103,783	43,746,436	44,889,626
Profit for the year	-	-	-	14,096,026	14,096,026
Re-measurements of post employment benefit obligations	-	-	-	(435,000)	(435,000)
Deferred tax relating to re-measurement of post employment benefit obligations	-	-	-	94,000	94,000
Total Comprehensive Income for the year	-	-	-	13,755,026	13,755,026
Dividends	-	-	-	(7,952,919)	(7,952,919)
Total contributions by and distributions to owners of the Parent, recognised directly in equity	-	-	-	(7,952,919)	(7,952,919)
As at 31 December 2014	31,554	1,007,853	103,783	49,548,543	50,691,733

The accompanying notes are an integral part of these financial statements.

THORNTON & ROSS LIMITED
STATEMENT OF CASH FLOWS

		Year ended 31 December 2014	Period ended 31 December 2013
	Note	£	£
Cash flows from operating activities			
Cash generated from operations	27	26,456,399	8,822,704
Income tax paid		(3,211,295)	(1,563,813)
Net cash generated from operating activities		23,245,104	7,258,891
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,058,386)	(2,831,582)
Proceeds from sales of plant and equipment		330,930	69,944
Purchases of intangible assets		(11,630,253)	(147,000)
Interest received		35,593	110,444
Loan repayment from related parties		-	199,724
Net cash used in investing activities		(14,322,116)	(2,598,470)
Cash flows from financing activities			
Dividends paid to owners		(7,952,919)	(25,150,500)
Net cash used in financing activities		(7,952,919)	(25,150,500)
Net increase / (decrease) in cash and cash equivalents		970,069	(20,490,079)
Cash and cash equivalents at beginning of year/period		8,577,324	29,067,403
Cash and cash equivalents at end of year/period	20	9,547,393	8,577,324

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is a limited company incorporated and domiciled in the UK. The Company manufactures and distributes pharmaceutical and household products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation and adoption of IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant in the Financial Statements, are disclosed in Note 4.

2.2 Consolidation

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.3 Going Concern

The Company meets its day-to-day working capital requirements through its revenue and retained earnings. Note 3 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risk. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within its working capital resources.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 New and Amended Standards***(a) New and amended standards*

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2014 are not material to the Company and therefore not applied in preparing these financial statements.

(b) New and amended standards issued but not yet effective for the financial year beginning 1 January 2014 and not early adopted:

Standard		Effective Date
IAS 1 (Amendments)	Presentation of Financial Statements: Disclosure Initiative	*1 January 2016
IAS 16 (Amendments)	Clarification of Acceptable Methods of Depreciation	*1 January 2016
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions	*1 July 2014
IAS 27 (Amendments)	Separate Financial Statements	*1 January 2016
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	*1 January 2016
IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IAS 38 (Amendments)	Clarification of Acceptable Methods of Amortisation	*1 January 2016
IFRS 9 (Amendments)	Financial Instruments	*1 January 2018
IFRS 10 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	*1 January 2016
IFRS 12 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 14	Regulatory Deferral Accounts	*1 January 2016
IFRS 15	Revenue from Contracts with Customers	*1 January 2017
Annual Improvements	2010 – 2012 Cycle	*1 July 2014
Annual Improvements	2011 – 2013 Cycle	*1 July 2014
Annual Improvements	2012 – 2014 Cycle	*1 July 2016

*Subject to EU endorsement

The Company intends to adopt these standards, if applicable, when they become effective.

2.5 Foreign Currency Translation*(a) Functional and Presentation Currency*

The Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.6 Property, plant and equipment

Land and buildings comprise freehold land and office, manufacturing and warehouse buildings.

All property, plant and equipment is shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Property, plant and equipment (continued)**

No depreciation is provided on freehold land. Depreciation on other assets is calculated on a straight line basis from the accounting period in which the asset is purchased and brought into use to allocate their cost over their estimated useful lives as follows:

- | | |
|-------------------------|--------------|
| • Freehold buildings | 50 years |
| • Plant and equipment | 10 years |
| • Fixtures and fittings | 5 – 10 years |
| • Motor vehicles | 6 years |

The Company changed its method of depreciation from a reducing balance to a straight line basis with effect from 1 January 2014. The financial effect of the change on the depreciation charge for the year was not significant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised, where material, within 'other gains/(losses)' in the Income Statement.

2.7 Intangible assets

Intangible assets comprise acquired and reacquired brands, licences, patents, know-how, product development and marketing rights. Intangible assets are shown at historical cost less provision for amortisation. Amortisation is calculated using the straight line method over the estimated economic lives of the assets, which will depend on the length of the future period expected to benefit from their acquisition, which ranges from three to ten years.

Development costs that are directly attributable to new product development, which includes obtaining national or international regulatory approval, are recognised in intangible assets if all the following criteria are met:

- it is technically feasible to complete the product development and achieve regulatory approval, enabling it to become available for use or sale;
- the intention and ability exist as well as the necessary resources to complete the product and to use or sell it in the future;
- the intangible asset will generate probable future economic benefits; and
- the expenditure attributable to the product development can be reliably measured.

Other development expenditure that does not meet these criteria, which includes expenditure on technical and regulatory maintenance for products sold, is recognised as an expense as incurred.

Intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.8 Investment in subsidiary undertakings

Investment in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid, less impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Financial instruments****2.9.1 Classification**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classified its financial instruments in the following categories:

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Loans and receivables are initially recognised at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method less a provision for impairment.

(b) *Available-for-sale*

Available-for-sale financial assets are non-derivatives that are designated in this category as they are intended to be held and sold in response to needs for liquidity or in response to changes in market conditions. Available-for-sale assets are included in current assets.

Available for sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When these securities are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

(c) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost comprise trade and other payables. The financial liabilities are initially recognised at the amount to be required to be paid, less, when material, a discount to reduce the payables to fair value. Financial liabilities are subsequently measured at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

2.9.2 Impairment of financial assets**(a) *Assets carried at amortised costs***

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or a group of financial assets is impaired. Impairment losses are only incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and has an impact on the estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Financial instruments (continued)****2.9.2 Impairment of financial assets (continued)***(a) Assets carried at amortised costs (continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

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

2.13 Share Capital

Ordinary shares are classified as equity.

2.14 Dividends

Dividends on common shares are recognised in the Company's financial statements in the period in which the dividends are approved by the Board of Directors.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.16 Compound financial liabilities

Compound financial liabilities issued by the Company comprise preference shares over which the holder had a put and call option. Subsequent to initial recognition, the liability is re-measured at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.17 Current and Deferred Income Tax**

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

The Company operates post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligation

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions where the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

A defined benefit asset is recognised to the extent the Company can gain a benefit from it through a refund or reduction in future contributions. An asset is measured as the lower of: the surplus in the defined benefit plan, and the asset ceiling.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.18 Employee benefits (continued)***(a) Pension obligation (continued)*

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset, to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

The Company provides additional discretionary pension benefits to certain retirees who were members of the defined benefit scheme in 1990. The original obligation was calculated based on the average age of pensioners, their expected remaining life and the annual cost. The obligation was discounted to net present value and will unwind over 20 years.

The Company also provides for a long term service award which is awarded to staff members who have fulfilled a minimum period of employment. These obligations are valued annually by independent qualified actuaries.

(c) Profit sharing and bonus plans

The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Company's activities. Revenue is shown net of Value-Added Tax, returns, rebates, royalties and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Company manufactures and sells a range of pharmaceutical and household products. Sales of goods are recognised on despatch and delivery of products to the customer. Delivery does not occur until the products have been shipped/transported to the specified location and the risks of obsolescence and loss have been transferred to and accepted by the customer.

(b) Royalty and milestone income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements. During the term of certain agreements, the Company also receives non-refundable milestones as certain targets are achieved. Revenue is recognised on achievement of such milestones.

(c) Grant income

Grants in respect of expenditure on property, plant and equipment are treated as deferred income which is credited to profit or loss by instalments over the expected useful economic life of the related assets on a basis consistent with the depreciation policy. Grants of a revenue nature are recognised in profit or loss over the period in respect of which they are paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.20 Cost of sales**

Cost of sales includes the cost of manufacturing finished goods inventory, including costs related to transportation, impairment and inventory write-downs.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT**Financial Risk Factors**

The Company's activities expose it to a variety of financial risks, including liquidity risk and credit risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. The Board determines principles for overall risk management and there are written policies covering specific areas such as credit risk.

(a) Liquidity Risk

In keeping with similar sized companies, the Company's continued future operations depend on the ability to maintain sufficient working capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed. The Company has no borrowings.

(b) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers.

For banks and financial institutions, only independently rates parties with a minimum rating of 'A' are accepted. Credit risk relating to accounts receivable balances are managed on a case-by-case basis. New clients are analysed before standard payment and delivery terms and conditions are offered. The credit quality of the customer is assessed taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Management does not expect any losses from non-performance by these counterparties.

(c) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. The Company has no externally imposed capital requirements and monitors future planned activities against resources available.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**4.1 Critical Accounting Estimates and Assumptions (continued)***(a) Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis, using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Were the discount rate used to differ by 0.5% from management's estimate, the carrying amount of pension obligations would be an estimated £1,715,000 lower or £1,985,000 higher. The sensitivity to the defined benefit obligation to changes in other principal assumptions is disclosed in Note 25.

Other key assumptions for pension obligations are based in part on current market conditions and include assumptions regarding life expectancy, price inflation and pension increases. Additional information is disclosed in Note 25.

(b) Amortisation and depreciation

Property, plant and equipment and intangible assets are depreciated and amortised respectively over their expected useful economic lives which are determined on the basis of management expectations and assessments. If the actual useful economic life is less than the expected useful life, the amount of depreciation and amortisation would be adjusted accordingly. The net book value of property, plant and equipment and intangible assets as at 31 December 2014 and 31 December 2013 was £29,266,934 and £18,570,714 respectively.

5. REVENUE

Analysis of turnover by geographical location is as follows:

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
United Kingdom	68,319,357	40,936,010
Other Europe	6,703,347	4,638,057
Rest of the World	5,891,568	4,588,409
Total	80,914,272	50,162,476

6. OTHER GAINS

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Gain on cancellation of put and call option over C Ordinary shares (see below)	-	400,000
Gain on disposal of property, plant and equipment	118,815	-
Research and development expenditure credit	103,874	-
Total	222,689	400,000

The Company received £1,000,000 from the issue of 600 C Ordinary shares of £1 each on 11 February 2005. A Put and Call Option Agreement over the C Ordinary shares was entered into between the Company and the shareholder on 25 February 2005.

Under the terms of that Agreement, the option period commenced on 2 September 2008 and expired 10 years after the date on which the shareholder ceases to be a full time employee of the Company.

The put and call option was exercisable by the shareholder and Company respectively on the issue of an option notice by either party. The option price was defined under the agreement as market value.

The fair value of the C Ordinary shares as at 31 March 2013 amounted to £1,400,000. At the date of acquisition of the Company by Stada UK Holdings Limited, the put and call options were cancelled and the C Ordinary shares transferred into equity at the amount of cash received when originally issued, split between share capital of £600 and share premium of £999,400.

7. EXPENSES BY NATURE

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Materials and consumables used in production	29,742,132	17,793,961
Employee benefit expense (Note 11)	16,963,286	10,959,174
Depreciation, amortisation and impairment charges	3,780,303	2,564,902
Repairs and maintenance costs	854,468	798,346
Legal and professional fees	763,543	787,430
Advertising and marketing costs	3,358,277	4,245,807
Utilities and waste	948,060	782,493
Export and distribution expenses	1,860,493	895,268
Vehicle and travel expenses	884,948	467,362
Rent and rates	302,052	228,138
Insurances	362,360	175,726
Other expenses	3,273,110	1,044,507
Total cost of sales, selling & distribution, marketing, research & development and general & administrative expenses	63,093,032	40,743,114

8. AUDITOR REMUNERATION

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Fees payable to the Company's auditor for:		
• the audit of the Company's financial statements	65,000	50,000
• audit-related assurance services	7,850	12,500
• tax compliance services	-	7,500
Total	72,850	70,000

9. FINANCE INCOME

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Interest on short-term bank deposits	35,593	107,505
Other interest	-	2,939
Net interest on net defined pension asset/liability	24,000	-
Total	59,593	110,444

10. FINANCE COST

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Net interest on net defined pension asset/liability	-	18,000
Interest on long service award provision	1,000	-
Total	1,000	18,000

11. EMPLOYEE BENEFIT EXPENSE

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Wages and salaries	14,926,756	9,732,382
Social security costs	1,401,956	853,960
Pension costs	634,574	372,832
Total	16,963,286	10,959,174

12. AVERAGE NUMBER OF PEOPLE EMPLOYED

	Year Ended 31 December 2014	Period Ended 31 December 2013
Selling and administrative	147	96
Manufacturing	383	373
Total	530	469

13. INCOME TAXES**Analysis of the tax charge**

The tax charge on the profit on ordinary activities was as follows:

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Corporation tax:		
Current period	3,324,831	1,585,149
Adjustments in respect of prior periods	217,900	-
Total current tax	3,542,731	1,585,149
Deferred tax (Note 23)		
Origination and reversal of timing differences	460,884	(371,091)
Adjustments in respect of prior periods	2,881	-
Total deferred tax	463,765	(371,091)
Total income tax	4,006,496	1,214,058

Factors affecting the tax charge for the year/period

The income tax charge for the year is higher than (period ended 31 December 2013: lower than) the standard rate of corporation tax in the UK applied to the Company's profit before tax of 21.5% (31 December 2013: 23%). The difference is explained below:

	Year Ended 31 December 2014 £	Period Ended 31 December 2013 £
Operating profit before tax	18,102,522	9,911,806
Charge on profit on ordinary activities at standard rate of 21.5% (31 December 2013: 23%)	3,892,042	2,279,715
Effect of:		
Non deductible expenses	9,651	38,823
Capital allowances in excess of depreciation	(79,383)	5,501
Other timing differences	460,884	(371,092)
Qualifying R&D expenditure and patent box	(359,047)	(258,750)
Pension contributions spreading adjustment	(147,405)	(274,850)
Other adjustments	8,973	(205,289)
Adjustments in respect of prior periods	220,781	-
Total	4,006,496	1,214,058

The standard rate of UK corporation tax changed from 23% to 21% with effect from 1 April 2014.

14. DIVIDENDS

Dividends paid in the year ended 31 December 2014 and period ended 31 December 2013 were £7,952,919 (£265.04 per equity share) and £25,150,500 (£838.15 per equity share) respectively.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
At 31 March 2013					
Cost	9,236,002	21,938,351	3,154,327	1,516,890	35,845,570
Accumulated depreciation	(3,963,402)	(15,833,236)	(1,748,918)	(855,400)	(22,400,956)
Net book amount	5,272,600	6,105,115	1,405,409	661,490	13,444,614
Period ended 31 December 2013					
Additions	21,426	2,383,556	188,255	238,345	2,831,582
Disposals	(71,798)	(294,561)	(49,550)	(151,250)	(567,159)
Depreciation charge	(191,198)	(941,834)	(210,722)	(177,690)	(1,521,444)
Depreciation released for disposals	53,649	282,480	43,736	93,018	472,883
Closing net book amount	5,084,679	7,534,756	1,377,128	663,913	14,660,476
At 31 December 2013					
Cost	9,185,630	24,027,346	3,293,032	1,603,985	38,109,993
Accumulated depreciation	(4,100,951)	(16,492,590)	(1,915,904)	(940,072)	(23,449,517)
Net book amount	5,084,679	7,534,756	1,377,128	663,913	14,660,476
Year ended 31 December 2014					
Additions	354,368	2,155,122	205,457	343,438	3,058,386
Disposals	-	-	-	(970,376)	(970,376)
Depreciation charge	(121,811)	(1,325,457)	(604,170)	(125,555)	(2,176,993)
Depreciation released for disposals	-	-	-	758,260	758,260
Closing net book amount	5,317,236	8,364,421	978,415	669,680	15,329,753
At 31 December 2014					
Cost	9,539,998	26,182,468	3,498,489	977,047	40,198,003
Accumulated depreciation	(4,222,762)	(17,818,047)	(2,520,074)	(307,367)	(24,868,250)
Net book amount	5,317,236	8,364,421	978,415	669,680	15,329,753

The cost of land which is not depreciated included in freehold land and building is £70,820 (31 December 2013: £70,820).

Depreciation expense of £666,249 (period to 31 December 2013: £333,333) has been charged in general and administrative expenses and £1,510,744 (period to 31 December 2013: £1,188,111) has been charged to cost of sales.

16. INTANGIBLE ASSETS

	Acquired brands and licences	Product development costs	Total
	£	£	£
At 31 March 2013			
Cost	25,235,463	-	25,235,463
Accumulated amortisation	(20,453,099)	-	(20,453,099)
Net book amount	4,782,364	-	4,782,364
Period ended 31 December 2013			
Additions	-	147,000	147,000
Amortisation charge	(1,019,126)	-	(1,019,126)
Closing net book amount	3,763,238	147,000	3,910,238
At 31 December 2013			
Cost	25,235,463	147,000	25,382,463
Accumulated depreciation	(21,472,225)	-	(21,472,225)
Net book amount	3,763,238	147,000	3,910,238
Year ended 31 December 2014			
Additions	10,211,092	1,419,161	11,630,253
Amortisation charge	(1,603,310)	-	(1,603,310)
Closing net book amount	8,607,782	1,419,161	13,937,181
At 31 December 2014			
Cost	35,446,555	1,566,161	37,012,716
Accumulated depreciation	(23,075,535)	-	(23,075,535)
Net book amount	12,371,020	1,566,161	13,937,181

Amortisation of £1,603,310 (period ended 31 December 2013: £1,019,126) is included in cost of sales. Product development costs are internally generated.

17. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Cost and net book value	Shares in subsidiary undertaking	Loan to subsidiary undertaking	Total
	£	£	£
At 31 March 2013	801,050	199,724	1,000,774
Repaid in the period	-	(199,724)	(199,724)
At 31 December 2013	801,050	-	801,050
At 31 December 2014	801,050	-	801,050

17. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (continued)

The Company owns 100% of the share capital of the following companies:

Name	Country of incorporation	Details	Nature of business
LCM Limited	UK	1 Ordinary share of £1	Dormant
Thornton & Ross Ireland Limited	Ireland	100 Ordinary shares of €1 each	Dormant
Zeroderma Limited	UK	100 Ordinary shares of £1 each	Research, development and distribution of skin products and pharmaceuticals

18. INVENTORIES

	31 December 2014	31 December 2013
	£	£
Raw materials	5,173,010	5,593,420
Work in progress	105,378	88,979
Finished goods	11,728,021	12,242,937
Total	17,006,409	17,925,336

The cost of materials recognised as an expense in cost of sales amounted to £29,742,132 (period ended 31 December 2013 - £14,197,835).

19. TRADE AND OTHER RECEIVABLES

	31 December 2014	31 December 2013
	£	£
Trade receivables	30,631,733	17,767,012
Less: provision for impairment of trade receivables	(490,454)	(390,169)
Trade receivables – net	30,141,279	17,376,843
Prepayments	1,373,665	1,169,558
Other receivables	318,984	294,137
Total	31,833,928	18,840,538
Less non-current portion:		
- prepayments	(500,000)	(500,000)
	(500,000)	(500,000)
Current portion	31,333,928	18,340,538

The fair value of trade and other receivables is the same as its carrying amount.

19. TRADE AND OTHER RECEIVABLES (continued)

Credit Quality of Financial Assets

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	31 December 2014	31 December 2013
	£	£
Group 1 - new customers (less than 6 months)	-	5,693
Group 2 - existing customers (more than 6 months) with no defaults in the past	30,631,733	17,761,319
Group 3 - existing customers (more than 6 months) with some defaults in the past	-	-
Total unimpaired trade receivables	30,631,733	17,767,012

As at 31 December 2014, trade receivables of £14,445,018 (31 December 2013 £7,982,927) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	31 December 2014	31 December 2013
	£	£
Up to 3 months	12,388,651	5,639,453
3 to 6 months	1,243,340	1,999,329
6 months and above	813,027	344,145
Total	14,445,018	7,982,927

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	31 December 2014	31 December 2013
	£	£
UK pound	27,291,841	13,812,485
Euros	1,718,903	1,209,120
US dollars	1,367,618	2,566,581
Other currencies	81,901	82,794
Total	30,460,263	17,670,980

Movements on the Company provision for impaired receivables are as follows:

	31 December 2014	31 December 2013
	£	£
At start of the year/period	390,169	390,454
Provision for receivables impairment	60,285	-
Amounts written off as uncollectable	-	(285)
At the end of the year/period	450,454	390,169

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the income statement.

20. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
	£	£
Cash at bank and in hand	9,533,651	6,529,442
Short term bank deposits	13,742	2,047,882
Total	9,547,393	8,577,324

All of the Company's cash at bank is held with institutions with an A credit rating.

21. SHARE CAPITAL AND PREMIUM

	Number of shares	Ordinary shares £	Share premium £	Total £
Issued and fully paid				
As at 31 December 2013 and 2014	31,554	31,554	1,007,853	1,039,407

Ordinary shares

	Number of shares	Ordinary shares £
Shares of £1 each		
'A' Ordinary	4,100	4,100
'B' Ordinary	25,307	25,307
'C' Ordinary	600	600
'D' Ordinary	1,547	1,547
Total	31,554	31,554

The holders of 'D' shares are not entitled to receive any dividends.

22. TRADE AND OTHER PAYABLES

	31 December 2014	31 December 2013
	£	£
Trade payables	8,866,816	5,560,145
Amounts due to related parties	16,069,920	8,904,720
Social security and other taxes	3,498,035	426,509
Accrued expenses and deferred income	9,009,185	4,679,221
Other payables	108,232	77,296
Total	37,552,188	19,647,891
Less non-current portion: accrued expenses	(250,000)	(500,000)
Current portion	37,302,188	19,147,891

23. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 December 2014 £	31 December 2013 £
Deferred tax assets:		
• to be recovered after more than 12 months	143,921	276,244
• to be recovered within 12 months	271,373	98,847
Total	415,294	375,091
Deferred tax liabilities:		
• to be recovered after more than 12 months	-	111,000
• to be recovered within 12 months	517,094	-
Total	517,094	111,000
Deferred tax (liability)/asset (net)	(101,800)	264,091

The gross movement on the deferred income tax account is as follows:

	31 December 2014 £	31 December 2013 £
At start of the year/period	264,091	521,000
Income statement (charge)/credit	(459,891)	371,091
Tax credit/(charge) relating to components of other comprehensive income	94,000	(628,000)
At the end of the year/period	(101,800)	264,091

The movement in deferred income tax assets and liabilities during the year/period is as follows:

	Accelerated capital allowances £	Retirement benefit obligation £	Other timing differences £	Total £
Deferred tax assets				
At 31 March 2013	(121,000)	517,000	125,000	521,000
Credited to the income statement	-	-	371,091	371,091
Charged to other comprehensive income	-	(517,000)	-	(517,000)
At 31 December 2013	(121,000)	-	496,091	375,091
Transferred to deferred tax liability	121,000	-	(496,091)	(375,091)
At 31 December 2014	-	-	-	-

23. DEFERRED INCOME TAX (continued)

	Accelerated capital allowances £	Retirement benefit obligation £	Other timing differences £	Total £
Deferred tax liabilities				
At 31 March 2013	-	-	-	-
Charged to other comprehensive income	-	(111,000)	-	(111,000)
At 31 December 2013	-	(111,000)	-	(111,000)
Transferred from deferred tax asset	(121,000)	-	496,091	375,091
Charged to the income statement	(379,094)	-	(80,797)	(459,891)
Credited to other comprehensive income	-	94,000	-	94,000
At 31 December 2014	(500,094)	(17,000)	415,294	(101,800)

24. FINANCIAL INSTRUMENTS

Financial instruments by category:

Assets as per Statement of Financial Position	Loans and receivables £	Total £
Trade and other receivables (excluding prepayments)	30,460,263	30,460,263
Cash and cash equivalents	9,547,393	9,547,393
31 December 2014	40,007,656	40,007,656
Trade and other receivables (excluding prepayments)	17,670,980	17,670,980
Cash and cash equivalents	8,577,324	8,577,324
31 December 2013	26,248,304	26,248,304

	Amortised cost £	Total £
Liabilities as per Statement of Financial Position		
Trade and other payables excluding non-financial liabilities	34,054,153	34,054,153
31 December 2014	34,054,153	34,051,153
Trade and other payables excluding non-financial liabilities	19,221,382	19,221,382
31 December 2013	19,221,382	19,221,382

There is no difference between the carrying amount of financial liabilities at fair value through profit and loss and the amount the Company would be contractually required to pay.

25. POST-EMPLOYMENT BENEFITS

The table below outlines where the Company's post employment balances and activity are included in the financial statements.

	31 December 2014	31 December 2013
	£	£
Asset in the statement of financial position	85,000	554,000
Income statement charge in operating profit	(34,000)	(71,000)
Re-measurements in other comprehensive income	(435,000)	(628,000)

Defined Benefit Pension Plan

The Company has in the past operated and made contributions to a pension scheme which provides benefits based on final pensionable pay. The scheme is funded and its assets are held in a separate trustee administered fund. The trustees comprise representatives of the Company and pension scheme participants in accordance with the scheme's regulations.

Since 22 June 1999 the scheme has been closed to new members and to future accrual. With effect from 1 July 2002, members' pension benefits accrue within the scheme on a money purchase basis but final salary based pension benefits to 30 June 2002 will be preserved.

The amounts recognised in the Statement of Financial Position are determined as follows:

	31 December 2014	31 December 2013
	£	£
Present value of funded obligations	18,394,000	15,909,000
Fair value of plan assets	(18,601,000)	(16,838,000)
Surplus of funded plans	(207,000)	(929,000)
Impact of asset ceiling	122,000	375,000
Asset in the Statement of Financial Position	(85,000)	(554,000)

25. POST-EMPLOYMENT BENEFITS (continued)

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation £	Fair value of plan assets £	Total £	Impact of asset ceiling £	Total £
1 April 2013	15,465,000	(13,218,000)	2,247,000	-	2,247,000
Interest expense/(income)	529,000	(511,000)	18,000	-	18,000
	15,994,000	(13,729,000)	2,265,000	-	2,265,000
Remeasurements:					
Effect of changes in financial assumptions	(161,000)	-	(161,000)	-	(161,000)
Effect of changes in demographic assumptions	449,000	-	449,000	-	449,000
Effect of experience adjustments	132,000	-	132,000	-	132,000
Return on plan assets (excluding interest)	-	(167,000)	(167,000)	-	(167,000)
Impact of asset ceiling	-	-	-	375,000	375,000
	420,000	(167,000)	253,000	375,000	628,000
Benefit payments from plan	(505,000)	505,000	-	-	-
Employer contributions	-	(3,500,000)	(3,500,000)	-	(3,500,000)
Administrative expenses	-	53,000	53,000	-	53,000
	(505,000)	(2,942,000)	(3,447,000)	-	(3,447,000)
31 December 2013	15,909,000	(16,838,000)	(929,000)	375,000	(554,000)
1 January 2014	15,909,000	(16,838,000)	(929,000)	375,000	(554,000)
Interest expense/(income)	721,000	(762,000)	(41,000)	17,000	(24,000)
	16,630,000	(17,600,000)	(970,000)	392,000	(578,000)
Remeasurements:					
Effect of changes in financial assumptions	2,605,000	-	2,605,000	-	2,605,000
Return on plan assets (excluding interest)	-	(1,891,000)	(1,891,000)	(9,000)	(1,900,000)
Impact of asset ceiling	-	-	-	(270,000)	(270,000)
	2,605,000	(1,891,000)	714,000	(279,000)	435,000
Benefit payments from plan	(841,000)	841,000	-	-	-
Employer contributions	-	-	-	-	-
Administrative expenses	-	49,000	49,000	9,000	58,000
	(841,000)	890,000	49,000	9,000	58,000
31 December 2014	18,394,000	(18,601,000)	(207,000)	122,000	(85,000)

25. POST-EMPLOYMENT BENEFITS (continued)

Plan assets are comprised as follows:

	31 December 2014 £	31 December 2013 £
Equity instruments	-	2,632,000
Debt instruments	6,367,000	5,047,000
Real estate	-	189,000
Investment funds	10,118,000	8,966,000
Cash and cash equivalents	2,116,000	4,000
Total	18,601,000	16,838,000

No contributions are expected to be paid to the defined benefit pension plan for the year ending 31 December 2015.

The Company eliminated the funding shortfall identified in the triennial actuarial valuation as at 30 June 2013 following a deficit lump sum payment of £3,500,000 in August 2013.

The next triennial valuation is due to be completed as at 30 June 2016.

The significant actuarial assumptions were as follows:

	31 December 2014	31 December 2013
Discount rate	3.70%	4.60%
RPI inflation	3.00%	3.30%
CPI inflation	2.20%	2.50%
Rate of pension increases		
• earned before 6 April 1997	0.0%	0.0%
• earned after 5 April 1997	2.20%	2.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	31 December 2014	31 December 2013
Retiring at the end of the reporting period:		
• Male	22.5	22.4
• Female	24.8	24.7
Retiring 20 years after the end of the reporting period:		
• Male	24.3	24.2
• Female	26.8	26.7

25. POST-EMPLOYMENT BENEFITS (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in defined benefit obligation 31 December 2014 £
Discount rate	
• Increase by 50 basis points	(1,715,000)
• Decrease by 50 basis points	1,985,000
Inflation rate (CPI)	
• Increase by 50 basis points	996,000
• Decrease by 50 basis points	(877,000)
Pension increase rate	
• Increase by 50 basis points	996,000
• Decrease by 50 basis points	(877,000)
Life expectancy – increase in longevity by 1.5% p.a.	227,000

The sensitivity analyses above are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The weighted average duration of the defined benefit obligation is 20 years.

26. PROVISIONS FOR LIABILITIES AND CHARGES

	Discretionary pension provision £	Long service award £	Total £
31 March 2013	155,547	-	155,547
Release in the year	(6,191)	-	(6,191)
Additional provisions	-	25,000	25,000
31 December 2013	149,356	25,000	174,356
Release in the year	(8,254)	-	(8,254)
Interest expense	-	1,000	1,000
31 December 2014	141,102	26,000	167,102

The discretionary pension provision relates to additional pension entitlements awarded to certain members over and above those under the defined benefit pension scheme of the Company.

27. CASH GENERATED FROM OPERATIONS

	Year Ended 31 December 2014 £	Period ended 31 December 2013 £
Profit before taxation	18,102,522	9,911,806
Adjusted for:		
• Depreciation (note 15)	2,176,993	1,521,444
• Amortisation (note 16)	1,603,310	1,019,126
• Gain/loss on disposal of property, plant and equipment	(118,815)	24,332
• Finance income and costs - net	(58,593)	(110,444)
• Other gains/losses	(103,874)	(400,000)
	21,601,543	11,966,264
Changes in working capital:		
• Decrease/(increase) in inventories	918,927	(7,291,830)
• Increase in trade and other receivables	(12,993,390)	(1,763,012)
• Increase in trade and other payables	16,879,573	9,321,473
(Decrease)/increase in provisions	(8,254)	18,809
Net movement in post employment benefit obligations (note 25)	58,000	(3,429,000)
Cash generated from operations	26,456,399	8,822,704

28. CONTINGENCIES

The Company has ongoing agreements with third parties for new product development under which a total amount of £350,000 (31 December 2013: £515,000) is payable, conditional upon various milestones relating to marketing authorisations and sales levels being reached.

29. COMMITMENTS*(a) Capital commitments*

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	31 December 2014 £	31 December 2013 £
Property, plant and equipment	745,882	192,395
IT equipment	5,800	78,789
Total	751,682	271,184

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2014 £	31 December 2013 £
No later than 1 year	63,711	138,500
Later than 1 year and no later than 5 years	-	57,708
Total	63,711	196,208

30. RELATED PARTY TRANSACTIONS

Zeroderma Limited

Zeroderma Limited, a wholly owned subsidiary, buys all of its products from the Company. During the year to 31 December 2014 total purchases amounted to £2,285,948 (period ended 31 December 2013: £1,020,047).

The Company incurs operating expenses on behalf of Zeroderma which are recharged. The charge for the year ended 31 December 2014 amounted to £281,474 (period ended 31 December 2013: £155,651).

Following the closure of the Zeroderma Limited's bank account during the period ended 31 December 2013, the Company undertakes the treasury function on behalf of its subsidiary. As at 31 December 2014, the amount due to Zeroderma Limited was £2,077,527 (31 December 2013: £608,789 due to Zeroderma Limited).

Sundrops Limited

Sundrops Limited, a fellow subsidiary, buys all of its products from the Company. Thornton & Ross Limited also incurs operating expenses on behalf Sundrops Limited which are recharged and administers the treasury function on behalf of that company. In the year to 31 December 2014, total purchases and recharges amounted to £5,988,983 (period ended 31 December 2013: £4,405,403). As at 31 December 2014, the amount due to Sundrops Limited was £4,522,663 (31 December 2013: £3,398,139).

Genus Pharmaceuticals Limited

Thornton & Ross Limited incurs operating expenses on behalf of Genus Pharmaceuticals Limited, a fellow subsidiary, which are recharged and administers the treasury function on behalf of that company. In the year to 31 December 2014, total recharges amounted to £4,334,888 (period ended 31 December 2013: £Nil). As at 31 December 2014, the amount due to Genus Pharmaceuticals Limited was £6,287,918 (31 December 2013: £Nil).

Genus Pharmaceuticals Holdings Limited

Thornton & Ross Limited incurs operating expenses on behalf of Genus Pharmaceuticals Holdings Limited, a fellow subsidiary, which are recharged and administers the treasury function on behalf of that company. In the year to 31 December 2014, total recharges amounted to £574,396 (period ended 31 December 2013: £Nil). As at 31 December 2014, the amount due to Genus Pharmaceuticals Holdings Limited was £1,046,623 (31 December 2013: £Nil).

DIRECTORS' REMUNERATION

The amounts paid or payable to Directors for employee and Director services are shown below:

	31 December 2014	31 December 2013
	£	£
Salaries and other short-term employee benefits	587,323	1,088,384
Post-employment benefits	-	124,709
Amounts charged for services	-	5,867
Total	587,323	1,218,960

The highest paid Director received aggregated emoluments of £488,258 during the year (period ended 31 December 2013: £217,994).

31. IMMEDIATE AND ULTIMATE GROUP UNDERTAKING

The Company's immediate parent undertaking is Stada UK Holdings Limited and ultimate parent undertaking is STADA Arzneimittel AG. The Company is included within those consolidated financial statements which are publicly available from STADA Arzneimittel AG, Stadastrabe 2-18, 61118 Bad Vilbel, Germany.