

Registered number: 00185947

THORNTON & ROSS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



THORNTON & ROSS LIMITED

COMPANY INFORMATION

Directors	E Blythe R Scarlett-Smith
Company secretary	E Blythe
Registered number	00185947
Registered office	Linthwaite nr Huddersfield HD7 5QH
Independent auditors	PricewaterhouseCoopers LLP 29 Wellington Street Leeds LS1 4DL
Bankers	HSBC Bank plc Huddersfield HD1 2ES
Solicitors	Kuit Steinart Levy LLP Manchester M3 2RD

THORNTON & ROSS LIMITED

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THORNTON & ROSS LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

The Directors present their Strategic Report for the year ended 31 December 2020.

Business review

The company saw continued sales growth in 2020 which was driven by a number of key areas within the business. Firstly, sales of Zoflora® grew as demand has driven consumer behaviour in the early stages of the pandemic. This was also underpinned by the continued investment in direct to consumer marketing via social media and a television advertising campaign. A new packaging design was launched as well as new fragrances. The outlook remains very positive with further growth expected now that manufacturing capacity has come on stream and new formats will be launched in 2021.

Secondly, the brands acquired in 2019 including Oilatum, Eurax and Savlon have benefited from the additional marketing focus. The incidence driven brands such as Hedrin® and Covonia® have faced challenges in 2020 due to reduced Covid-19. Our skin care brands have continued to grow.

Our export business has grown during the year because of increased sales to our global STADA affiliates across the group due to product launches.

Whilst we have increased our sales year on year our GP% has fallen due to increased costs of raw material ingredients.

Our selling and distribution expenses have increased in line with sales.

Marketing costs have increased as we have invested more in advertising and promotion costs to drive sales growth particularly Zoflora.

R&D costs have increased marginally as we look to increase our pipeline for the future.

Administrative expenses have increased with c.£5.5m due to three one-off events. This is the write-off of an inter-company debt of a group company that was sold during the year, write-off of intangible balances where we will not realise future benefits and internal re-organisation costs.

Tangible fixed assets have increased during the year which is predominantly driven by the expansion of our Zoflora® manufacturing capacity.

Stock has increased significantly partially in line with increased volume and also to ensure there is supply to meet volatile demand and future pipeline products. As we believe we understand more about our customers' demands during 2021, we will reduce and manage our stockholding in accordance with our future demands. This is supported by improvements in our sales and operation planning processes.

Excluding the one-offs in administrative expenses the company shows a healthy growth in profitability in 2020.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Principal and financial 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;
To mitigate this risk the Company does horizon scanning to identify new products that may be launched by the competition and monitors consumers needs to ensure the Company's product offering is current and of value to the healthcare system as well as consumers. In addition, the Company has a business development team that works with the parent company to identify new products that can address new therapeutic challenges as well as an R&D team that looks at how we can enhance the current product portfolio.
- Research or experience demonstrating that one or more of the ingredients in our products is harmful;
This is a potential risk and the Company's regulatory team work closely with regulatory bodies to ensure any new data that could impact our products is reflected in the regulatory strategy in partnership with relevant agencies.
- Regulatory authorities withdrawing a licence or permit to manufacture, sell, and market products;
The Company has a team in regulatory, quality and health and safety who work to ensure that the organisation is compliant with all requirements and the organisation runs internal audits and works with auditors to ensure that the organisation meets the exacting standards required.
- Loss of key personnel with specialist knowledge;
The organisation is constantly evaluating and monitoring staff morale as well as looking to ensure the companies employee value proposition is compelling. It also has a robust development plan in place to ensure there is a pipeline to talent.
- The risk that T&R is unable to efficiently import raw materials and export finished goods;
The organisation's supply chain team have worked and continue to work to have a partnership approach with suppliers to ensure that raw materials are available. We work alongside our global affiliates and freight forwarding partners to ensure timely delivery of our export goods.
- The uncertainty about the future trading conditions post the global pandemic;
The organisation does robust business planning with sensitivity analysis to ensure that the organisation has a sustainable business strategy that addresses uncertainty in the market and reflects a realistic forward view.

We also face the risks of an incident in our factory resulting in loss of production capability, contamination of air or water affecting our products. In addition, there are the risks of theft, fraud, property damage 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. We also cultivate links with a number of alternative suppliers to provide a backup in the event of a supply disruption.

Credit Risk

Credit checks are carried out on all customers by Thornton & Ross Limited which tend to be primarily pharmaceutical wholesalers/distributors.

Post Brexit Risk

Brexit introduced a potential risk to the business to continuity of supply. The company worked to ensure the supply chains were secure through increased inventory to ensure continuity of supply of medicines. Thus far we have not seen any issues but will continue to monitor this.

COVID-19 Risk

The product portfolio of Thornton & Ross Limited is such that it has been managed due to COVID-19. The performance of products has been referred to in the Directors' report. We have not seen any interruption in the supply chain of our products and we will continue to monitor this.

THORNTON & ROSS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial key performance indicators

The Board monitors the activities and performance of the Company on a regular basis. The Board uses 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 2020 and will continue to be used by the Board to assess performance during the year to 31 December 2021.

Key area	Activity	KPI Indicator	2020	2019	Commentary
Gross profit margin	Analysis of gross profit by product group	Gross profit as a percentage of revenue	38 %	40 %	Gross Profit margin decreased from 39.8% to 38.6%. Gross Profit margin has decreased primarily due to increased costs of raw material ingredients.
Operating profit margin	Analysis of operating profit	Operating profit (excluding other gains/(losses) as a percentage of revenue	10 %	14 %	Operating profit margin decreased from 13.7% to 10.5%. This is primarily due to the three one-off costs outlined above offset by reduced spend and saving in operating costs due to Covid-19.
Working capital management	Collection of debtors	Debtor days	82 days	91 days	Debtor days has decreased to 82 days from 90 days. This is due to effective cash collection and tighter credit terms.

Covid-19 Impact

The impact of COVID-19 on the business has been mixed with some pharmaceuticals seeing reduction in demand. As the NHS began to reopen in the second half of 2020 there was increased demand. On the other hand during 2020 we saw increase in demand for our disinfectant brand Zoflora.

In order to meet volatile market demand the organisation increased stock holding as well as having to manage the supply of raw materials to ensure continuity of supply. The rapidly and evolving situation was challenging and has required close cooperation across the business.

The response of the business to COVID-19 is to continue to monitor trends in our customers behaviour and to try to outperform the market. A good example is the drive for improvements with our online and e-commerce capability and to increase sales through that medium. In addition, we have continued to keep factory production high during COVID-19 by implementing new ways of working to protect our staff and keep supplying medicines.

We are taking all practical measures and using all governmental advice to keep our employees safe and to ensure we keep supplying our customers with vital medicines, treatments and products.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

S172 Statement

The company remains committed to ensuring that our business activities are conducted in a responsible manner for the benefit of all our stakeholders, including our people, our customers, our partners, our investors and our local community. The Board has certain duties in this regard as described in section 172(1) of the Companies Act 2006 and has had regard to each of these when directing the company:

- The likely consequences of any decisions in the long-term;

The Board works together and in alignment to ensure that the organisation has a robust strategic plan that reflects the long term impact of all their decisions. Building on the 100 year heritage is fundamental to the business and its growth agenda to ensure longevity.

- The interests of the company's employees;

The Board members participate in regular meetings with a consultative committee, which is made up of employees, to listen to their feedback. In addition, the company runs a company-wide survey on a regular basis to hear directly from employees. The results of which the Board take very seriously and work diligently to address issues that are raised. The aim is to make the company a great place to work.

- The need to foster the company's business relationships with suppliers, customers and others;

The Board values these strategic relationships and works to have direct interaction with key suppliers. The Board have regular meetings with key customers such as healthcare professionals and key customers including wholesalers and retail customers. The purpose of which is to be close to and respect the value of all our stakeholders.

- The impact of the company's operations on the community and environment;

The company is embedded in its location with close ties to the community via environmental groups, the council and its employees many of whom live in close proximity to the business. We are acutely aware of the environmental impact and work with health & safety to build a sustainable approach to the location.

- The desirability of the company maintaining a reputation for high standards of business conduct; and

Integrity is a key value at the company and it is a thread through all business activity. As a key supplier to the NHS, consumers and patients our reputation is of paramount importance. We encourage all stakeholders to bring to our attention any concerns suggesting we are not operating to a high standard. These are always looked into and resolved appropriately.

- The need to act fairly as between shareholders of the company.

The Board adheres to Stada group guidelines to ensure that the interest of the shareholders are always prioritised.

The company is a member of the STADA Group (STADA Arzneimittel AG) which is a German Stock Corporation with headquarters in Bad Vilbel, Germany. The STADA Group is a highly successful business which focuses on generics, including specialty pharmaceuticals and non-prescription consumer health products. The Board at T&R work very closely with STADA Group when making strategic decisions in order to ensure that T&R can benefit from STADA Group experience and expertise.

THORNTON & ROSS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 22 DECEMBER 2021 and signed on its behalf.



**E Blythe
Director**

THORNTON & ROSS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

Principal activities

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

The profit for the year, after taxation, amounted to £13,196,000 (2019 - £13,094,000).

Interim dividends relating to 2020 of £7,769,000 were paid during the year (2019- £10,247,000). Final dividends relating to 2020 paid in 2021 are £Nil (2020 - £7,769,250).

Directors

The Directors who served during the year were:

E Blythe
R Scarlett-Smith

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Future developments

Over the last financial year Thornton & Ross Limited 'T&R' has strengthened its leadership team as the organisation continues with its growth agenda in line with the 5-year strategic plan. The strengthening of the leadership team is aligned with requirement for a robust supply chain to meet the changing demands seen during the pandemic and the need to supply the NHS with key medicines.

The Directors continue to focus on several key areas encompassing sales, product development, continuous improvement, and compliance. The key focus continues to be implementation to ensure the organisations plans are executed effectively with the organisation building a robust project management function.

During the year there has been specific focus on the transfer of the manufacture of brands acquired from GSK in 2019. This has required planning, validation, and authorization to transfer the manufacturing to the Linthwaite site, this is building on the strategic vision for the manufacturing to be the centre of excellence within the STADA group for creams and liquids.

During this financial year the company has invested significantly in consumer insights to shape the development of new products that meet the consumer needs. This has resulted in new products and packaging to be ready for launching in 2021.

Due to the changes driven during the height of the pandemic T&R has continued to focus on digital activity both directly with the consumer but also healthcare professionals as face to face interaction has not been possible during the pandemic. We continue to focus on e-commerce direct to the consumer and also continued partnership with our customers and stakeholders.

Research and development activities

The Company continues to be 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 expended to Statement of comprehensive income during the year for research and development activities was £4,380,000 (2019 - £3,862,000).

Engagement with employees

The Board know that our people are critical to T&R's success. We want to be able to attract and retain the best calibre of people to ensure our business succeeds in the long term.

As a result, the Board introduced a number of initiatives to improve communication with our people and involve them in T&R's plans and successes. These initiatives were: the implementation at T&R of the STADA Group's "Pulse Survey" this is a regular survey which enable the board to hear how people are feeling and what they are concerned about. The engagement of the leadership within the business has been achieved via regular meetings and communication which has been a challenge during the pandemic and has required the use of IT solutions to facilitate the meetings.

The Board at T&R also made an investment in its human resources department to continue to make T&R a better place to work. The department has worked on the launch of an online HR portal, enhancing employee benefits and supporting people throughout the pandemic.

T&R is an equal opportunity employer and do not discriminate on the basis of a person's gender, ethnicity, disability, sexual orientation or any other protected characteristics.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Engagement with suppliers, customers and others

T&R is a business that can only be successful if its household and pharmaceutical products sell. Therefore, the Board understands that our customers and suppliers are pivotal to T&R's success and future growth. Our customers are pharmacists, doctors, buyers and hospitals as well as consumers.

During the pandemic T&R has had to engage with our customers in different ways to ensure we keep them updated on product developments and support our customers as they also have seen significantly impacted by the pandemic. This has been done by embracing IT platforms to be able to engage with our customers effectively and appropriately.

Our aim as always is to be the partner of choice and ensure we keep supplying medicines

The impact of investing in a dedicated procurement team under strong and experienced leadership has had a positive impact on the organization. Not only improving efficacy but also strengthening our relationships with suppliers. Their support has been paramount in the need to continue to keep supplying medicines during the pandemic.

Our Community and Environment

At T&R we meet all legislative requirements concerning environmental issues, including those relating to energy usage.

The Company and the Board is committed to reducing its carbon footprint and is constantly evaluating the impact of all activities. In 2020 the Board continued its partnership with Environment Kirklees, a not for profit company that works with communities and residents to increase environmental awareness to make the local towns and villages that surround the manufacturing site of T&R a better place to live, work and study. T&R actively encourages our employees to take part in Environment Kirklees initiatives.

Regulation

As a manufacturer of pharmaceutical products, T&R is regulated by the Medicines and Healthcare products Regulatory Agency (MHRA) who are the UK's regulator of medicines, medical devices and blood components for transfusion, responsible for ensuring their safety, quality and effectiveness.

The MHRA require manufacturers to adhere to all relevant laws and operate to the highest standards of manufacturing, quality and marketing.

THORNTON & ROSS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Greenhouse gas emissions, energy consumption and energy efficiency action

Thornton & Ross Limited has conducted an internal review of the energy consumption in the UK at the Linthwaite site in Huddersfield. The report is generated directly from billing data. Areas of focus are;

- Water consumption
- Gas & Electricity consumption
- CO2 Emissions

Energy Efficiency Actions 2020:

During September 2019 T&R performed a phase 2 Energy Savings and Opportunities Schemes (ESOS) assessment identifying a future potential benefit of 649,211 kWh. This is in line with the ESOS scheme will be reviewed on an annual basis.

In 2020 the organization took a stance that energy consumption must be considered in all projects at inception.

Over the past year we have made several efficiency improvements equating to a reduction of 217,051 kWh. This was achieved through reduction of site air pressure and improvements to the metering of water into the boilers and steam trap replacement.

Streamlined Energy & Carbon Reporting (SECR) Disclosure:

Our SECR disclosure presents our carbon footprint across Scopes 1 & 2 together with an appropriate intensity metric and our total utilities usage. The SECR assessment, which is complimentary to the ESOS which highlights the emissions based around the consumption data captured by ESOS.

Standard 'UK.Gov' endorsed conversion factors were used to determine equivalent CO2 emissions, using gross CV values (gross calorific value).

Scope 1 and 2 consumption and CO2e emission data has been calculated in line with the 2021 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2021 UK Government GHG Conversion Factors for Company Reporting have been used; utilising the current published kWh gross calorific value (CV) and kgCO2e emissions factors relevant for reporting year 2019-2020; database 2021, version 1.0.

In 2020, the organisation decreased its total like for like carbon intensity by 13.39 % (t CO2e / Mill Ea).

Utility Consumption:

	2019	2020	% Change
Water (m3)	72,404	43,413	-40.04
Natural Gas (MWh)	8,986	8,126	-9.57
Purchased Electricity (MWh)	5,443	6,026	+10.71

Scope 1 Emissions:

	2019	2020	% Change
Combustion of Natural Gas (Tons CO ₂ eq.)	1,862.2	1,660.9	-10.81

THORNTON & ROSS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Scope 2 Emissions:

	2019	2020	% Change
Purchased Electricity (Tons CO ₂ eq.)	1,540.6	1,705.5	+10.71

Total Emissions (Scope 1 & 2):

	2019	2020	% Change
Total Scope 1 & Scope 2 (Tons CO ₂ eq.)	3,401.8	3,366.3	-1.04

Carbon Intensity Per Million Packs*:

	2019	2020	% Change
Eaches (Million)	96.89	110.72	+14.27
Total Scope 1 & Scope 2 (Tons CO ₂ eq.)	3,401.8	3,366.3	-1.04
Tons CO ₂ eq / Mill Eaches**	35.1	30.4	-13.39

*Packs contain units of Eaches. Pack size varies depending on the brand.

**Eaches refers to single unit of product

Litres of fuel consumed:

	2019 – Fuel usage/Litres	2019 – Fuel cost £	2020 – Fuel usage/Litres	2020 – Fuel cost £
January	11,070.89	11,708.97	13,258.79	14,410.41
February	10,331.40	10,926.01	12,955.10	13,677.74
March	11,708.95	12,382.11	8,065.41	8,900.51
April*	11,440.04	12,475.74	-	-
May	10,670.75	11,898.31	1,459.33	1,348.29
June	10,964.40	12,044.13	2,087.55	2,073.12
July	12,613.04	13,699.79	2,535.76	2,575.72
August	11,618.65	12,695.06	1,440.55	1,462.24
September	12,453.06	13,568.36	1,526.26	1,606.78
October	14,349.64	15,627.28	1,238.91	1,392.91
November	14,422.17	15,541.49	536.30	611.84
December*	11,129.84	11,918.74	-	-
Total	142,772.83	154,485.99	45,103.96	48,059.56

* The usage and cost in April 2020 and December 2020 were nil due to the 1st and 2nd lockdowns in the UK.

The units of fuel consumed in 2020 versus 2019 must be viewed with caution due to the pandemic. This

THORNTON & ROSS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

impacted the use of company cars as our field-based sales force were unable to conduct face to face meetings with most of their customers. The company instructed all employees with fuel cards that these should not be used. This was to prevent employees having to reimburse the company for their private mileage incurred.

CO₂ Emissions

Thornton & Ross Limited runs a cycle to work scheme and have a small number of employees who have signed up for this scheme. We have installed charging ports for electric vehicles on site making the charge ports available free of charge and have encouraged all employees to consider using electric cars. Furthermore, there are several staff who walk to work and use local public transport.

Focus moving forward

Projects that are in the planning phase now have a focus on energy efficiency at conception and it is something that is being designed into projects. There is work being done related to sustainable packaging which will come to fruition in the coming years. Before the sustainable packaging comes in circulation it will require regulatory approval as most of the products manufactured are highly regulated.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end. Impact of Covid-19 continues to be monitored as the situation is fluid due to uncertainty around infection rates and government guidance.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 DECEMBER 2021 and signed on its behalf.



**E Blythe
Director**

Independent auditors' report to the members of Thornton & Ross Limited

Report on the audit of the financial statements

Opinion

In our opinion, Thornton & Ross Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Thornton & Ross Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, UK employment laws, health and safety regulations and medicine and

Independent auditors' report to the members of Thornton & Ross Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

healthcare product regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding and evaluating management's controls that are designed to prevent and deter irregularities in the control environment;
- Identifying and testing journal entries using a risk based targeting approach for unexpected account combinations impacting EBITDA, unusual users and unusual words;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular, the impairment assessment over specific intangible assets and valuation of the defined benefit pension liability; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Sarah Allen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
22 December 2021

THORNTON & ROSS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	<i>As restated *</i> 2019 £000
Turnover	4	178,818	143,898
Cost of sales		(110,298)	(86,899)
Gross profit		68,520	56,999
Selling and distribution costs		(19,775)	(18,450)
Marketing expenses		(20,846)	(15,659)
Research and development expenses		(4,380)	(3,862)
Administrative expenses		(14,500)	(9,021)
Other operating income/(expenses)	5	9,305	10,196
Other income/(charges)	6	444	(429)
Operating profit	7	18,768	19,774
Interest receivable and similar income	11	-	9
Interest payable and similar expenses	12	(2,914)	(1,805)
Other finance costs	13	(19)	(26)
Profit before tax		15,835	17,952
Tax on profit	14	(2,639)	(4,858)
Profit for the financial year		13,196	13,094
Other comprehensive expense/(income):			
Items that will not be reclassified to profit or loss:			
Remeasurements on post-employment benefit obligations		(1,938)	(629)
Movements of deferred tax relating to post-employment benefit obligations		258	-
		(1,680)	(629)
Total comprehensive income for the year		11,516	12,465

The notes on pages 19 to 51 form part of these financial statements.

*Selling and distribution costs, marketing expenses, administrative expenses and other operating income/(expenses) for the year ended 31 December 2019 have been restated to correct a prior period error. See note 32 for further details.

THORNTON & ROSS LIMITED
REGISTERED NUMBER: 00185947

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	As restated * 2019 £000
Fixed assets			
Intangible assets	16	94,754	98,043
Tangible assets	17	37,239	27,475
Fixed Asset Investments	18	801	801
		<u>132,794</u>	<u>126,319</u>
Current assets			
Inventories	19	53,415	24,008
Debtors: amounts falling due within one year	20	49,885	63,222
Cash at bank and in hand	21	7,823	13,749
		<u>111,123</u>	<u>100,979</u>
Creditors: amounts falling due within one year	22	(204,916)	(192,270)
Net current liabilities		<u>(93,793)</u>	<u>(91,291)</u>
Total assets less current liabilities		<u>39,001</u>	<u>35,028</u>
Creditors: amounts falling due after more than one year	23	(605)	(1,109)
		<u>38,396</u>	<u>33,919</u>
Provisions for liabilities			
Deferred taxation	25	(3,071)	(3,696)
Other provisions	26	(181)	(183)
		<u>(3,252)</u>	<u>(3,879)</u>
Net assets excluding pension liability		<u>35,144</u>	<u>30,040</u>
Post-employment benefit obligations		(2,709)	(1,352)
Net assets		<u><u>32,435</u></u>	<u><u>28,688</u></u>

THORNTON & ROSS LIMITED
REGISTERED NUMBER: 00185947

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £000	As restated * 2019 £000
Capital and reserves			
Called up share capital	27	32	32
Share premium account	28	1,008	1,008
Other reserves	28	104	104
Profit and loss account	28	31,291	27,544
Total equity		32,435	28,688

The financial statements on pages 15 to 51 were approved and authorised for issue by the board and were signed on its behalf on 22 December 2021,



E Blythe
Director

The notes on pages 19 to 51 form part of these financial statements.

*Inventories, amounts owed by group companies (debtors: amounts falling due within one year) and amounts owed to group companies (creditors: amounts falling due within one year) at 31 December 2019 have been restated to correct a prior period error. See note 32 for further details.

THORNTON & ROSS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	32	1,008	104	25,326	26,470
Comprehensive income for the year					
Profit for the year	-	-	-	13,094	13,094
Remeasurements on post-employment benefit obligations	-	-	-	(629)	(629)
Total comprehensive income for the year	-	-	-	12,465	12,465
Dividends: Equity capital	-	-	-	(10,247)	(10,247)
At 31 December 2019	32	1,008	104	27,544	28,688
Comprehensive income for the year					
Profit for the year	-	-	-	13,196	13,196
Remeasurements on post-employment benefit obligations	-	-	-	(1,680)	(1,680)
Total comprehensive income for the year	-	-	-	11,516	11,516
Dividends: Equity capital	-	-	-	(7,769)	(7,769)
At 31 December 2020	32	1,008	104	31,291	32,435

The notes on pages 19 to 51 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

The Company is a private limited company incorporated and domiciled in England, UK. Registered number: 00185947.

The Company manufactures and distributes pharmaceutical and household products.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- 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
- the requirements of IAS 1 Presentation of Financial Statements to disclose paragraphs 40A-D.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.4 Going concern

The Company meets its day-to-day working capital requirements through its revenue and retained earnings. 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. Furthermore, the Company has received confirmation from fellow subsidiaries to confirm that they will not seek the repayment of amounts advanced to the Company by them unless adequate alternative financing has been secured by the Company.

After making appropriate enquiries, including but not limited to the impact of Covid-19, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. The Company therefore adopts the going concern basis in preparing its Financial Statements.

2.5 Related entities and trading relationships

An intercompany services agreement is in place whereby the Company provides services (including operational and administrative support) to Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited ("fellow group subsidiaries"). The services enable the fellow group subsidiaries to market, sell and distribute the products for which they hold the respective marketing rights. The financial reporting follows the below accounting policies.

1. Principal v agent

A pharmaceutical product can only legally be sold when there is a marketing authorisation in place. The fellow group subsidiaries are therefore legally responsible for the sale and performance of the respective products. Furthermore, the fellow group subsidiaries hold the inventory risk as they have control over the inventory and derive future economic benefits from the sale of the inventory. Each fellow group subsidiary is responsible for setting the price of the products (where the price is not determined by a third party). It has therefore been determined that the fellow group subsidiaries are the principal and the Company is the agent. The respective revenue and cost of sale transactions and inventory balances are therefore recognised in the financial statements of the fellow group subsidiaries. The Company does not receive a commission for the services provided and instead recharges amounts to the fellow group subsidiaries for the services provided based on a proportionate allocation. The recharge is recognised as Other operating income.

2. Recognition of external trade debtors and external trade payables

The Company manages the contracts with the customer and suppliers on behalf of the fellow group subsidiaries and receives the cash from customers as well as settling amounts with suppliers on behalf of the fellow group subsidiaries. The intercompany service agreement transfers the contractual right to receive the sales receipts from the customers and also transfers the contractual rights to pay the creditors. The Company therefore recognises the external trade debtors and external trade payables with an equal and opposite amount owed to/ by group companies respectively.

The amount owed to/ by group companies is recognised on a net basis as the intercompany services agreement permits the Company to offset the amounts due to and amounts due from the fellow group subsidiaries. There is also intent to settle the balances on a net basis, the assumption being that the asset will be realised at the same time the liability is settled.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.7 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, 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 on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

2.8 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.8 Leases (continued)

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.16.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.9 Research and development

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

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

2.10 Interest income

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

2.11 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.12 Pensions

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

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the IFRS 9 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.12 Pensions (continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

a) 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, expected remaining life and 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.

b) 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.

2.13 Current and deferred taxation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.14 Intangible assets

Intangible assets comprise acquired and reacquired brands, licences, patents, know-how, developed products (trademarks and patents), product development (assets under construction) 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 twenty years.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Acquired brands and licenses	-	20 years
Trademarks and Patents	-	5 -20 years
Assets under construction	-	Nil - until bought into full operational use

Significant estimate: key assumptions used for value-in-use calculations

The company tests whether intangibles have suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The following sets out the key assumptions for those CGUs.

Impairment in intangible assets and the impact of possible changes in key assumptions

Below sets out the impairment charge which would be generated if the assumptions in the impairment model were to change by the amount stated:

Reduce growth rates by 1%: £73,000
Increase the WACC by 1%: £96,000

Sales volume

Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.

Budgeted gross margin

Based on past performance and management's expectations for the future.

Other operating costs

Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures.

Long-term growth rate

This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.14 Intangible assets (continued)

Post-tax discount rates

The tax adjusted cashflows have been discounted using a post-tax discount rate.

2.15 Development costs

Internally generated development costs that are referred to as 'assets under construction' 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.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.16 Tangible fixed assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

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

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

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

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.17 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. 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 (or CGU's) fair value less costs to sell 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 (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

A CGU is an individual brand which with the allocation of the relevant Plant, Property & Equipment is the level at which cashflows are monitored.

2.18 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.19 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The Company has a Revolving Receivable Purchase Agreement to assign and sell selected sterling denominated trade receivables.

The trade receivables are insured under a Credit Insurance Policy and are sold without recourse on a revolving basis to the purchaser.

An amount that represents the Initial Purchase Price, net of Deferred Purchase Price is received in cash by the Company. The Deferred Purchase Price are included within other receivables, to be recovered by the Company as the purchased receivables are collected.

The Company continues to service, collect and administer the purchased receivables in accordance with its normal credit control procedures for the benefit of the purchaser.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.22 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.24 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.24 Financial instruments (continued)

instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

2.25 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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.

The Company makes estimates and judgments 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.

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 estimates, the carrying amount of pension obligations would be an estimated £1,290,000 lower or £1,1413,000 higher. The sensitivity to the defined benefit obligation to changes in other principal assumptions is disclosed in Note 32.

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 30.

b) Capitalisation of internally generated intangible assets and acquired brands and licenses

During the year the Directors considered the recoverability of its internally generated intangible assets, comprising developed products and product development costs, which are included in the Statement of Financial Position at £2,447,000 (2019: £3,098,000). The Directors consider it is highly probable that regulatory approval will be achieved, and that the products will generate future economic benefits in excess of development costs. The Directors will closely monitor all product development projects and adjustments will be made in future periods if the carrying value is not considered fully recoverable.

c) Useful lives of intangible assets

The estimated useful lives of intangibles is predominately 20 years. However, the actual useful lives might be shorter or longer depending on technological innovations and other factors. Based on the current useful lives, the carrying amount of Intangibles is expected to be £87,878,966 at the next reporting date (within 12 months). If the useful lives were two years shorter, the carrying amount would instead be £86,711,888 and if they were 2 years longer, the carrying amount would be £88,750,244.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	157,717	130,863
Rest of Europe	12,095	8,679
Rest of the world	9,006	4,355
	<u>178,818</u>	<u>143,897</u>

5. Other operating income/(expenses)

	2020 £000	<i>As restated *</i> 2019 £000
Other operating income	9,374	10,212
Loss on disposal of intangible assets	(193)	-
Profit/(loss) on disposal of tangible fixed assets	124	(16)
	<u>9,305</u>	<u>10,196</u>

*Other operating income/(expenses) as at 31 December 2019 have been restated to correct a prior period error. See note 32 for further details.

6. Other Income/(Charges)

	2020 £000	2019 £000
Foreign exchange gains/(losses)	(444)	429
	<u>(444)</u>	<u>429</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Reorganisation costs	1,464	-
Depreciation of tangible fixed assets	3,820	2,360
Amortisation of intangible assets	5,956	3,937
Impairment of intangible assets	1,562	-
Exchange differences	(444)	429
Defined contribution pension cost	338	267
Cost of stocks recognised as an expense	66,586	48,043
- reversals of impairments in stock	(980)	-
	<u>78,302</u>	<u>55,036</u>

8. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	<u>167</u>	<u>120</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. Employees

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

	2020	<i>2019</i>
	£000	<i>£000</i>
Wages and salaries	28,168	<i>24,004</i>
Social security costs	3,335	<i>3,059</i>
Other pension costs	1,140	<i>926</i>
	32,643	<i>27,989</i>

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

	2020	<i>2019</i>
	No.	<i>No.</i>
Selling and administrative	316	<i>246</i>
Manufacturing	409	<i>366</i>
	725	<i>612</i>

10. Directors' remuneration

	2020	<i>2019</i>
	£000	<i>£000</i>
Directors' emoluments	737	<i>334</i>
Company contributions to defined contribution pension schemes	16	<i>16</i>
	753	<i>350</i>

The highest paid Director received remuneration of £586,000 (2019 -£177,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2019 -£11,000).

The total accrued pension provision of the highest paid Director at 31 December 2020 amounted to £NIL (2019 -£NIL).

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable from group companies	-	9
	-	9
	-	9

12. Interest payable and similar expenses

	2020	2019
	£000	£000
Loans from group undertakings	2,779	1,531
Interest on lease liabilities	20	-
Other interest payable	115	274
	2,914	1,805
	2,914	1,805

13. Other finance costs

	2020	2019
	£000	£000
Interest income on pension scheme assets	466	581
Net interest on net defined benefit liability	(485)	(607)
	(19)	(26)
	(19)	(26)

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	3,006	2,864
Adjustments in respect of previous periods	-	(231)
	<u>3,006</u>	<u>2,633</u>
Total current tax	<u>3,006</u>	<u>2,633</u>
Deferred tax		
Origination and reversal of timing differences	36	(175)
Adjustment in respect of prior periods	(403)	2,400
	<u>(367)</u>	<u>2,225</u>
Total deferred tax	<u>(367)</u>	<u>2,225</u>
Tax on profit	<u>2,639</u>	<u>4,858</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £000	2019 £000
Profit before tax	<u>15,835</u>	<u>17,952</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	3,009	3,411
Effects of:		
Expenses not deductible for tax purposes	610	(120)
Capital allowances for year in excess of depreciation	38	40
Adjustments to tax charge in respect of prior periods	(403)	-
Movement on pension fund provision	(136)	(118)
Qualifying research & development expenditure	108	(3)
PYA on Deferred Tax on rolled over gain	-	2,354
Rate exchange differences	-	27
Other differences leading to an increase (decrease) in the tax charge	(587)	(332)
Group relief	-	(401)
Total tax charge for the year	<u><u>2,639</u></u>	<u><u>4,858</u></u>

Factors that may affect future tax charges

In the 2021 UK Budget on 3 March 2021, the UK Government announced that the headline rate of UK corporation tax will increase to 25% from 1 April 2023. This change is expected to form part of the Finance Bill 2021. For FRS 101 purposes, a UK corporation tax rate of 19% has been used to calculate deferred tax for the year ended 31 December 2020. The difference between the 19% and 25% would increase the deferred tax liability at the balance sheet date by £1,525,378.

15. Dividends

	2020 £000	2019 £000
Interim dividend at £258.91 per equity share	7,769	10,247
	<u><u>7,769</u></u>	<u><u>10,247</u></u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Intangible assets

	Acquired brands and licenses £000	Trademarks and Patents £000	Assets under construction £000	Total £000
Cost				
At 1 January 2020	128,930	2,864	1,536	133,330
Additions - external	3,839	-	581	4,420
Disposals	(246)	-	-	(246)
At 31 December 2020	<u>132,523</u>	<u>2,864</u>	<u>2,117</u>	<u>137,504</u>
Amortisation				
At 1 January 2020	33,985	1,302	-	35,287
Charge for the year on owned assets	5,746	210	-	5,956
On disposals	(54)	-	-	(54)
Impairment charge	539	-	1,023	1,562
At 31 December 2020	<u>40,216</u>	<u>1,512</u>	<u>1,023</u>	<u>42,751</u>
Net book value				
At 31 December 2020	<u>92,307</u>	<u>1,352</u>	<u>1,094</u>	<u>94,753</u>
At 31 December 2019	<u>94,945</u>	<u>1,562</u>	<u>1,536</u>	<u>98,043</u>

Intangible assets include acquired and reacquired brands, licences, patents, know-how, developed products (trademarks and patents), product development (assets under construction) and marketing rights.

Acquired brands and licenses have an average remaining amortisation period of 16 years on a straight-line basis. Trademarks and patents have an average remaining amortisation period of 6 years on a straight-line basis. Assets under construction are not amortised. Once they are complete these will be transferred into Trademarks and Patents.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17. Tangible fixed assets

	Land and Buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 January 2020	11,707	43,086	5,183	1,354	61,330
Additions	975	11,686	306	684	13,651
Disposals	-	(68)	-	(141)	(209)
Transfers between classes	91	(522)	431	-	-
At 31 December 2020	<u>12,773</u>	<u>54,182</u>	<u>5,920</u>	<u>1,897</u>	<u>74,772</u>
Depreciation					
At 1 January 2020	4,932	24,652	3,643	627	33,854
Charge for the year on owned assets	165	2,350	431	200	3,146
Charge for the year on right- of-use assets	443	-	-	231	674
Disposals	-	(68)	-	(73)	(141)
At 31 December 2020	<u>5,540</u>	<u>26,934</u>	<u>4,074</u>	<u>985</u>	<u>37,533</u>
Net book value					
At 31 December 2020	<u>7,233</u>	<u>27,248</u>	<u>1,846</u>	<u>912</u>	<u>37,239</u>
At 31 December 2019	<u>6,775</u>	<u>18,434</u>	<u>1,539</u>	<u>727</u>	<u>27,475</u>

The cost of freehold land which is not depreciated included in land and buildings is £84,000 (2019 - £84,000).

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2020 £000	2019 £000
Tangible fixed assets owned	36,786	27,345
Right-of-use tangible fixed assets	453	130
	<u>37,239</u>	<u>27,475</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. Tangible fixed assets (continued)

Information about right-of-use assets is summarised below:

Net book value

	2020 £000	2019 £000
Property	-	130
Motor vehicles	453	-
	453	130
	453	130

Depreciation charge for the year ended

	2020 £000	2019 £000
Property	(443)	(24)
Motor vehicles	(231)	-
	(674)	(24)
	(674)	(24)

Additions to right-of-use assets

	2020 £000	2019 £000
Additions to right-of-use assets	684	154
	684	154

18. Fixed asset investments

	Investments in subsidiary undertakings £000
Cost or valuation	
At 1 January 2020	801
At 31 December 2020	801

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

18. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
LCM Limited	Linthwaite, Huddersfield HD7 5QH	1 Ordinary share of £1	100%
Thornton & Ross Ireland Limited	Linthwaite, Huddersfield HD7 5QH	100 Ordinary shares of €1 each	100%
Zeroderma Limited	Linthwaite, Huddersfield HD7 5QH	100 Ordinary shares of £1 each	100%

19. Inventories

	2020	<i>As restated *</i> 2019
	£000	£000
Raw materials and consumables	12,027	7,262
Work in progress (goods to be sold)	2,702	1,957
Finished goods and goods for resale	38,686	14,789
	53,415	24,008

*Finished goods and goods for resale as at 31 December 2019 have been restated to correct a prior period error. See note 32 for further details.

20. Debtors

	2020	<i>As restated*</i> 2019
	£000	£000
Trade debtors	40,225	48,137
Amounts owed by group companies	4,670	10,775
Other debtors	4,189	3,511
Prepayments	801	799
	49,885	63,222

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Debtors (continued)

All debtors are amounts falling due within one year.

*Amounts owed by group companies at 31 December 2019 have been restated to correct a prior period error. See note 32 for further details.

On 28 December 2017 the company entered into a Revolving Receivable Purchase Agreement with Helaba Landesbank Hessen-Thüringen Girozentrale (Purchaser) to assign, and sell selected sterling denominated trade receivables.

As of 21 December 2020 receivables amounting to £10,363,816 (*18 December 2019 - £10,363,673*) were sold. The trade receivables are insured under a Credit Insurance Policy and are sold without recourse on a revolving basis to the purchaser.

An amount of £9,327,434 (Initial Purchase Price) (*31 December 2019 - £9,327,306*), net of Deferred Purchase Price (calculated at 10% of the nominal amount of a purchased receivable for deductible according to the Credit Insurance Agreement) of £1,036,381.55 (*18 December 2019 - £1,036,367*), was received in cash by the Company on 21 December 2020. As at 21 December 2020 the Deferred Purchase Price of £1,036,382 (*18 December 2019 - £1,036,367*) are included within other receivables, to be recovered by the Company as the purchased receivables are collected.

The Company continues to service, collect and administer the purchased receivables in accordance with its normal credit control procedures for the benefit of the purchaser.

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

21. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	7,823	13,749
	7,823	13,749

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22. Creditors: Amounts falling due within one year

	2020	<i>As restated*</i> 2019
	£000	£000
Trade creditors	30,146	17,048
Amounts owed to group companies	154,514	149,743
Corporation tax	-	4,308
Other taxation and social security	9,583	6,703
Lease liabilities	228	87
Other creditors	2,281	1,539
Accrued expenses and deferred income	8,164	12,842
	<u>204,916</u>	<u>192,270</u>

*Amounts owed to group companies at 31 December 2019 have been restated to correct a prior period error. See note 32 for further details.

23. Creditors: Amounts falling due after more than one year

	2020	2019
	£000	£000
Lease liabilities	215	-
Other creditors	390	1,109
	<u>605</u>	<u>1,109</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

24. Leases

Company as a lessee

Leases undertaken relate to building leases and motor vehicles as disclosed in tangible fixed assets note above.

Lease liabilities are due as follows:

	2020 £000	2019 £000
Not later than one year	228	87
Between one year and five years	215	-
	<u>443</u>	<u>87</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2020 £000	2019 £000
Interest expense on lease liabilities	<u>20</u>	<u>-</u>

Commitments where the lease has not yet commenced

On 1 January 2021 new building leases commenced. The assessment of potential future cash outflows to which the company is exposed is as follows:

Expected cash outflows under these leases at 31 December 2020 are as follows:

	2020 £000	2019 £000
Not later than one year	284	-
Between one year and five years	568	-
	<u>852</u>	<u>-</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. Deferred taxation

	2020 £000	2019 £000
At beginning of year	(3,696)	(1,229)
Charged to profit or loss	367	(2,467)
Charged to other comprehensive income	258	-
At end of year	(3,071)	(3,696)
	2020 £000	2019 £000
Accelerated capital allowances	(1,203)	(2,104)
Pension benefit obligations	477	219
Other timing differences	(2,345)	(1,811)
	(3,071)	(3,696)

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

	Accelerated capital allowances £000	Retirement benefit obligation £000	Other timing differences £000	Total £000
At 1 January 2019	(1,862)	219	414	(1,229)
(Charge)/Credit to the income statement	(242)	-	(2,225)	(2,467)
At 31 December 2019	(2,104)	219	(1,811)	(3,696)
Credit to the income statement	94		273	367
Reclassification	807		(807)	-
Credited directly to other comprehensive income		258		258
At 31 December 2020	(1,203)	477	(2,345)	(3,071)

The deferred tax liabilities relating to rollover relief have been reclassified in the year to better reflect the substance of the balance.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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26. Provisions

	Discretionary pension provision £000	Long service award £000	Total £000
At 1 January 2020	141	42	183
Credit to profit or loss	-	(2)	(2)
At 31 December 2020	141	40	181

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. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
4,100 (2019 -4,100) 'A' Ordinary shares of £1.00 each	4	4
25,307 (2019 -25,307) 'B' Ordinary shares of £1.00 each	25	25
600 (2019 -600) 'C' Ordinary shares of £1.00 each	1	1
1,547 (2019 -1,547) 'D' Ordinary shares of £1.00 each	2	2
	32	32

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

28. Reserves

Share premium account

The share premium reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The retained earnings reserve includes all current and prior year retained profits and losses.

29. Capital commitments

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

Property, plant and equipment - £735,000 (2019 - £692,000).

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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30. Pension commitments

The Company operates a Defined benefit pension scheme.

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. A professional independent trustee firm is appointed as sole trustee for the Scheme, which is permitted by the Scheme's Rules. A lead representative of the professional independent trustee firm meets regularly with the Scheme's professional pensions advisor and senior representatives of the Company to ensure the Scheme runs smoothly.

On 26 October 2018, the High Court ruled that pension schemes must equalise benefits in order to address the inequalities that arise due to differing GMP entitlements for men and women. The judgement also provided clarity on what methods can be used which has implications for all UK pension schemes, including the Thornton & Ross 1978 Pension and Life Scheme, with members who have GMP benefits accrued between 17 May 1990 (the date of the Barber judgment) and 5 April 1997 (the date when GMP ceased to accrue).

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 are preserved.

As a result of this ruling, an allowance has been made for GMP equalisation and the estimated impact on the Scheme's accounting liabilities is an increase of £304,000 at 26 October 2018. This impact has been allowed for as a past service cost and is included within the profit and loss account.

There was a further High Court ruling on 20 November 2020 which has provided clarification on the obligations of pension plan trustees to equalise past transfer values allowing for the effects of unequal Guaranteed Minimum Pensions between 17 May 1990 and 5 April 1997. The company deems any potential additional liability c. £100,000 arising as a result not to be material and therefore no further allowance has been made in the benefit obligation or defined benefit cost for the potential additional liabilities.

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

Reconciliation of present value of plan liabilities:

	2020	<i>2019</i>
	£000	<i>£000</i>
Reconciliation of present value of plan liabilities		
At the beginning of the year	23,501	<i>20,481</i>
Interest cost	485	<i>607</i>
Effect of changes in financial assumptions	4,308	<i>3,552</i>
Benefits paid	(790)	<i>(583)</i>
Effect of changes in demographic assumptions	222	<i>(556)</i>
Remeasurements: Effect of experience adjustments	(143)	<i>-</i>
At the end of the year	27,583	<i>23,501</i>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

30. Pension commitments (continued)

Composition of plan liabilities:

	2020 £000	2019 £000
Vested deferreds	19,490	17,379
Retirees	8,093	6,122
Total plan liabilities	27,583	23,501

Reconciliation of present value of plan assets:

	2020 £000	2019 £000
At the beginning of the year	22,149	19,182
Interest income	466	581
Return on plan assets	2,449	2,369
Employer Contributions	600	600
Benefits paid	(790)	(583)
At the end of the year	24,874	22,149

Composition of plan assets:

	2020 £000	2019 £000
Debt instruments (quoted and unquoted)	14,997	12,974
Investment funds	9,279	9,079
Cash and cash equivalents	598	96
Total plan assets	24,874	22,149

	2020 £000	2019 £000
Fair value of plan assets	24,874	22,149
Present value of plan liabilities	(27,583)	(23,501)
Net pension scheme liability	(2,709)	(1,352)

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

30. Pension commitments (continued)

Expected contributions to this scheme in the year ended 31 December 2021 will be £1.9m. This will reduce the liability to approximately £809,000. Funding arrangements and contributions will continue to be monitored and managed in accordance with the Trustees. There is no known change to this at this time that will affect future contributions or future liabilities.

The amounts recognised in profit or loss are as follows:

	2020 £000	2019 £000
Interest on obligation	(485)	(607)
Interest income on plan assets	466	581
Total	<u>(19)</u>	<u>(26)</u>
Re-measurement losses in other comprehensive income	(1,938)	(629)
Other comprehensive income	<u>(1,938)</u>	<u>(629)</u>
Net defined benefit (liability)/asset reconciliation:		
	2020 £000	2019 £000
Opening net defined benefit (liability)/asset	(1,352)	(1,297)
Defined benefit net interest cost	(19)	(26)
Employers contributions	600	600
Re-measurement losses in other comprehensive income	(1,938)	(629)
Closing defined benefit obligation	<u>(2,709)</u>	<u>(1,352)</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

30. Pension commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2020	2019
	%	%
Discount rate	1.45	2.1
RPI Inflation	2.8	2.85
Rate of pension increases - earned before 6 April 1997	0	0
Rate of pension increases - earned after 5 April 1997	2.4	2.1
CPI inflation	2.4	2.05
Mortality rates		
- for a male aged 65 now	22.1	21.8
- at 65 for a male aged 45 now	23.4	23.2
- for a female aged 65 now	24.4	23.7
- at 65 for a female member aged 45 now	25.8	25.2

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

	Increase by 50 basis points	Decrease by 50 basis points
Discount rate	(2,757)	3,172
Pension increase rate	1,413	(1,290)

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 21 years.

31. Post balance sheet events

There have been no significant events affecting the Company since the year end. Impact of Covid-19 continues to be monitored as the situation is fluid due to uncertainty around infection rates and government guidance.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

32. Restatement

The Company provides operational and administrative support to Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited. The support provided by the Company enables the above entities to generate revenue. In 2019 the amounts recharged to the above entities for selling and distribution costs, marketing expenses, research and development expenses and administrative expenses were offset against the respective expenses recorded by the Company.

In accordance with IAS1 paragraph 35, income and expenses on transactions that generate revenue are not permitted to be offset against one another. Restatement of the prior year statement of comprehensive income has therefore been made in these financial statements to present the recharged amounts within Other operating income rather than offsetting against the respective expense lines.

The impact on the balances for the year ended 31 December 2019 is as follows:

Selling and distribution costs
- Previously stated - £12,403,000
- Adjustment - £6,047,000
- 2019 As restated* - £18,450,000

Marketing expenses
- Previously stated - £14,530,000
- Adjustment - £1,129,000
- 2019 As restated* - £15,659,000

Administrative expenses
- Previously stated - £5,985,000
- Adjustment - £3,036,000
- 2019 As restated* - £9,021,000

Other operating income/(charges)
- Previously stated - £(16,000)
- Adjustment - £10,212,000
- 2019 As restated* - £10,196,000

In 2019 'finished goods and goods for resale' inventory items where Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited held the marketing authorisations were incorrectly recognised in the financial statements of the Company.

Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited have the risks and rewards of ownership and therefore control the inventory, which creates future economic benefit to these entities through sale of the inventory. Therefore the inventory should be recognised in the financial statements of Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited respectively.

Restatement of the prior year inventory has therefore been made in these financial statements to remove the inventory relating to the above mentioned entities. The corresponding entry is to increase amounts owed by group companies as the Company acquired the raw materials and incurred production costs on behalf of Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited in accordance with the intercompany arrangement with these entities.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

32. Restatement (continued)

The impact on the balances for the year ended 31 December 2019 is as follows:

Inventory

- Previously stated - £30,892,000 of which finished goods and goods for resale was £21,673,000
- Adjustment - £6,884,000 all of which relates to finished goods and goods for resale
- 2019 As restated* - £24,008,000 of which finished goods and goods for resale was £14,789,000

Debtors: Amounts falling due within one year

- Previously stated - £58,346,000 of which amounts by group companies was £5,899,000
- Adjustment - £4,876,000 all of which relates to amounts owed by group companies.
- 2019 As restated* - £63,222,000 of which amounts owed by group companies was £10,775,000

Creditors: Amounts falling due within one year

- Previously stated - £(194,278,000) of which amounts owed to group companies was £(151,751,000)
- Adjustment - £2,008,000 all of which relates to amounts owed by group companies
- 2019 As restated* - £(192,270,000) of which amounts owed to group companies was £(149,743,000)

33. Controlling party

The Company's immediate parent undertaking is Stada UK Holdings Limited, a company incorporated in the United Kingdom. The ultimate parent and controlling party is NIDDA German Topco GmbH, a company incorporated in Germany. The Company is included within their consolidated financial statements which are publicly available from NIDDA German Topco GmbH Stadastrasse 2-18, 61118 Bad Vilbel, Germany. This is the smallest and largest company to consolidate the results of the company.