

Registered number: 00185947

THORNTON & ROSS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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THORNTON & ROSS LIMITED

COMPANY INFORMATION

Directors	J Collett N Stephenson
Registered number	00185947
Registered office	Linthwaite Labs Manchester Road Linthwaite Huddersfield HD7 5QH
Independent auditors	PricewaterhouseCoopers LLP Central Square 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 2023

Introduction

The Directors present the Strategic Report for the year ended 31 December 2023.

Business review

2023 was a strong year for Thornton & Ross Limited 'T&R' despite challenging trading conditions across most of the sectors that the company operates within. Demand was adversely affected by severe inflationary pressure, with high street spending remaining depressed with footfall not recovering to pre-pandemic levels. The company delivered double digit sales revenue growth of 14%.

Our largest sector, consumer healthcare, delivered strong sales revenue growth. Due to severe inflation, we executed a thorough programme of customer price inflation, combined with a high 2022/23 cough & cold season and strong market growth on focus Derma brands, resulted in this strong performance.

Overall, the pharmaceutical side of the business had a good year, despite continued challenges in the NHS due to increased rebates in the government VPAS scheme (voluntary scheme for branded medicine pricing and access). Despite this, T&R delivered good sales revenue growth, supported by successful new product launches in 2023.

Gross profit percentage 'GP%' in 2023 has improved year on year, even with inflationary pressure increasing costs of raw materials & packaging. This is a result of customer price inflation & improved sales product mix.

The Company's selling and distribution expenses have increased by +8%, but an improved % to sales ratio, with revenue sales growth of +14%, due to efficiency improvement initiatives across our Logistics cost base.

Marketing expenses have significantly reduced year on year, despite company revenue sales growth. This is driven by more effective investment on focus consumer healthcare brands to deliver stronger growth. Research & development 'R&D' costs have increased marginally, but the Company has continued to invest in an increasing pipeline of launches.

Administrative expenses have increased due to pay increases and enhanced employee benefits, but again, this is significantly lower compared to company revenue sales growth.

The Company has a significantly higher stock balance at 31 December 2023 compared to 31 December 2022, driven by increasing safety stock across all key products, as the global supply chain continues to be challenging, to ensure strong supply and customer service.

The outlook for 2024 is very positive especially within the consumer healthcare business, due to continued growth in market share across focus brands. A strong pipeline of innovation throughout the year will add to and strengthen this potential.

THORNTON & ROSS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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 principal risks and uncertainties faced by the company are as detailed below.

Market Risk

- 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 Company's employee value proposition is compelling. It also has a robust development plan in place to ensure there is a well managed pipeline of strong 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.

- The risks of: an incident in our factory resulting in loss of production capability; contamination of air or water affecting our products; the risks of theft, fraud, property damage faced by all businesses.

The Company seeks 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. The Company also cultivates 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.

THORNTON & ROSS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Financial key performance indicators

The Board monitors the activities and performance of the Company on a regular basis.

The Company's financial position has strengthened considerably during the year with net assets of £60,474,000 (2022 - £45,216,000) primarily due to the profits for the year being retained within the business.

The Company has net current liabilities of £53,230,000 (2022 – £68,907,000), driven by amounts of £120,964,000 (2022 – £124,047,000) due to fellow group undertakings. The Directors have considered the nature of these balances and assessed that the risk of the intercompany balances being fully recalled in the twelve month period from approval of the balance sheet to be low, and have therefore concluded that the going concern assumption remains appropriate. See Note 2.5 for further information.

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 2023 and will continue to be used by the Board to assess performance during the year to 31 December 2024.

Key area	Activity	KPI Indicator	2023	2022	Commentary
Gross profit margin	Analysis of gross profit by product group	Gross profit as a percentage of revenue	35 %	34 %	Gross Profit margin slightly increased from 34% to 35%. Driven by customer price inflation & improved sales product mix.
Operating profit margin 'OP%'	Analysis of operating profit	Operating profit (excluding other gains / (losses)) as a percentage of revenue	12 %	8 %	OP% increased from 8% to 12%. This is driven by an increase in other operating income and a reduction in marketing expenses.
Working capital management	Collection of debtors	Debtor days	60 days	69 days	Debtor days has decreased from 69 days to 60 days. This is largely due to timing of cash collections.

THORNTON & ROSS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

S172 Statement

The Company remains committed to ensuring that its business activities are conducted in a responsible manner for the benefit of all of its stakeholders, including its people, customers, partners, investors and the 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 has regular meetings with key customers including healthcare professionals, wholesalers and retail customers. The purpose of which is to be close to and respect the value of all the Company's 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. The Board and the Company 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;
Integrity is a key value at the Company and it is a thread throughout all business activity. As a key supplier to the NHS, consumers and patients, the Company's reputation is of paramount importance. The Board and the Company encourage all stakeholders to bring to their attention any concerns suggesting the Company is not operating to a high standard. These are always looked into and resolved appropriately.
- The need to act fairly 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 with a 125 year heritage 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.

This report was approved by the board on 31 July 2024 and signed on its behalf.



J Collett
Director

THORNTON & ROSS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present the report and the audited financial statements for the year ended 31 December 2023.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, a director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Qualifying third party indemnity provision

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Principal activities

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

The financial risk management section is included in the Strategic Report.

Dividends

The profit for the year, after taxation, amounted to £15,323,000 (2022 - £11,426,000).

Interim dividends relating to 2023 of £Nil were paid during the year (2022- £Nil). Final dividends relating to 2022 paid in 2023 were £Nil (2022 - £Nil).

The Directors do not recommend the payment of a final dividend (2022 - £Nil).

THORNTON & ROSS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Directors

The Directors of the company who served during the year and up to the date of the financial statements were:

E Blythe (resigned 31 January 2023)
K Heywood (appointed 31 January 2023, resigned 1 September 2023)
N Stephenson (appointed 1 August 2023)
J Collett (appointed 1 September 2023)

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 the Global requirement to deliver strong growth across all sectors that the business operates within.

The Leadership Team continue to focus on building a strong UK business, within the parent company framework (STADA AG), investing in people, brands, new launches, systems and processes.

During the year ended 31 December 2023 the company continued to invest significantly in consumer insights to shape the development of new products that meet consumer needs. This has resulted in new products across all sectors being ready for launch in 2024.

Investment in the Company's manufacturing footprint continues, with plans to accelerate expansion to support the commercial 5-year strategic plan, ensuring competitive cost of goods, to deliver affordable products to all customers and patients.

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 expensed to the Statement of Comprehensive Income during the year for research and development activities was £3,533,000 (2022 - £3,299,000).

THORNTON & ROSS LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Engagement with employees

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

As a result, the Board introduced a number of initiatives to improve communication with colleagues 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 enables the Board to hear how people are feeling and what they are concerned about. UK leadership on key initiatives within the business has been achieved via regular meetings and communication, which has significantly improved colleague engagement as a result.

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 colleagues throughout their time with the business. Colleagues are invested in the Company's performance through colleague incentive schemes, and they are aware of financial and economic factors affecting the performance of the Company through regular internal communications including newsletters, emails, intranet posts and town hall presentations.

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

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 T&R's customers and suppliers are pivotal to its success and future growth. Its customers are pharmacists, doctors, buyers and hospitals as well as consumers.

T&R's aim as always is to be the partner of choice and ensure it keeps supplying medicines.

The impact of investing in a dedicated procurement team under strong and experienced leadership has had a positive impact on the business, not only improving efficacy but also strengthening relationships with suppliers. Their support has been paramount in the need to continue to keep supplying medicines that deliver significant cost savings to the NHS.

There were no political donations paid in the year (2022 - £Nil).

Community and Environment

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

The Company is committed to reducing its carbon footprint and is constantly evaluating the impact of all activities. In 2023, the Company 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.

THORNTON & ROSS LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

Disabled Employees

The Company's policy is to support the employment of all future employees including those with disabilities, both in recruitment and by retention of employees who become disabled whilst in employment of the Company. Applications for employment are always fully considered bearing in mind the aptitudes of the applicant concerned.

The Company is committed to ensuring, as far as is reasonably practicable, that the way it treats its employees reflects their individual needs and does not unlawfully discriminate against individuals or groups on any grounds.

The Company makes reasonable adjustments to overcome barriers to using services caused by disability including the removal, adaptation or alteration of physical features. In addition, it thinks ahead and makes reasonable adjustments to address any barriers that may impede disabled people.

There is also an equal opportunities policy to ensure that all employees are treated equally in terms of employment, training, career development and promotion.

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Greenhouse gas emissions, energy consumption and energy efficiency action

Energy Efficiency Actions 2023:

In 2020 the organisation took a stance that energy consumption must be considered in all projects at inception. This commitment has continued to endure and is a key part of the project decision making process.

T&R has an Environmental Management System that has been certified to ISO 14001 by BSI since September 2008, including re-certification in 2023, which continuously identifies and implements energy reduction measures as part of the site's environmental improvement programme.

The following environmental management measures and projects have recently been implemented, many since the 2022 baseline:

- Installation of LED lighting across approx. 80% of the Huddersfield operational area with further areas planned during 2024/2025;
- New HVAC installed with the potential for heat/cooling energy recovery to reduce losses;
- Modifications to software PLC to enable shutdowns should a production artefact be exhausted eg. labelling stops if bottles depleted. Similar plans are being planned for other lines;
- Construction of a new energy efficient wastewater treatment plant that will go live in Q3 2024;
- Replacement of the Goods-in warehouse roof using passive insulation to support temperature control and reducing heating demand;
- Installation of, an air curtain (substituting existing space heaters) using less energy to maintain a comfortable temperature during the colder months.
- Increasing our use of video conferencing and reducing the amount of our overseas travel;
- Providing electric charging points for our employee's vehicles;
- Introducing an electric vehicle purchasing employee benefit scheme;
- Enhancing our Cycle to Work scheme.

T&R continues to utilise a green energy contract with all electricity being sourced from renewables. As such, the company's entire electricity consumption from T&R and STADA's UK Technical Operations came from renewable sources. This contract has now been extended beyond 2025.

As a benefit, we have also introduced a staff salary sacrifice scheme to enable the purchase of energy efficient domestic appliances. Although this does not have direct bearing on the company's GHG emissions we are hoping this will encourage workplace engagement and behavioural change from staff.

Options and costs for a BMS (Building Management System) have been investigated to understand the factory use habits and to optimise this based on operations.

THORNTON & ROSS LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

In the future we hope to implement further measures such as:

- Replacing heated shrink-wrappers with banding where possible
- Replacing old boilers with a more efficient heating system
- Considering on-site renewable energy generation
- 'Power Down 220' project to reduce site voltage to 220v (equipment was installed in 2023, but not yet live)
- A study looking at the installation of an upgraded Building Management System enabling centralised visibility, zoning and optimisation of energy consumption through integrated AI support. The study is with company management for consideration.
- Update of 2022 ultrasonic survey covering compressed air leaks in order to check effectiveness of recent changes and further scrutinise ongoing reports of leakages.

As identified in the 2022 SECR submission, the company still intends to increase the monitoring of energy consumption, especially within production, by developing heat maps of energy consumption with a focus on manufacturing lines.

These measures are all undergoing feasibility studies and will form part of the Thornton & Ross sustainability plan to help meet STADA global carbon reduction requirements.

Streamlined Energy & Carbon Reporting (SECR) Disclosure:

The Company's SECR disclosure presents its carbon footprint across Scopes 1 & 2 together with an appropriate intensity metric and its total utilities usage. The SECR assessment, being complementary to the ESOS (Energy Savings Opportunity Scheme) which highlights the emissions based around the consumption data captured by ESOS.

Standard 'GOV.UK' endorsed conversion factors were used to determine CO₂e emissions, using gross calorific values (gross CV).

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the UK Government environmental reporting guidance 2022-23. The 2023 UK Government GHG Conversion Factors for Company Reporting have been used, utilising the current published kWh gross calorific value (CV) and kg CO₂e emissions factors relevant for reporting year 2023.

In 2023, the organisation decreased its total CO₂ emissions (scope 1 & 2) by 38.3% (t CO₂e) which was in the main due to the switch in 2022 to a green, net zero tariff offered by its energy provider.

Utility Consumption:

	2022	2023	% Change
Water (m ³)	52,408	52,448	+0.1
Natural Gas (kWh)	7,365,000	7,418,000	+0.7
Purchased Electricity (kWh)	5,939,000	6,313,000	+6.3

THORNTON & ROSS LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Scope 1 Emissions:

	2022	2023	% Change
Combustion of Natural Gas (Tonnes CO ₂ e)	1,498.7 [§]	1,513.4	0.98
Emissions from other sources (Tonnes CO ₂ e)	31.9 [§]	0	(100)

Scope 2 Emissions:

	2022	2023	% Change
Purchased Electricity (Tonnes CO ₂ e)	1,327.4 [§]	0	(100)

Total Emissions (Scope 1 & 2):

	2022	2023	% Change
Total Scope 1 & Scope 2 (Tonnes CO ₂ e)	2,858.0 [§]	1,513.4	(47.05)

Carbon Intensity Per Million Packs*:

	2022	2023	% Change
Eaches (Million)	71.3	86.7	21.60
Total Scope 1 & Scope 2 (Tonnes CO ₂ e)	2,858.0 [§]	1,513.4	(47.05)
Tonnes CO ₂ e / Mill Eaches**	40.1 [§]	17.5	(17.84)

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

**Eaches refers to single unit of product

Tonnes CO₂e / Mill Eaches** has decreased year on year due to the switch to green electricity supply from late 2022 onwards.

[§] Figures submitted have been corrected using more accurately available information.

THORNTON & ROSS LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Litres of fuel consumed:

	2022 – Fuel usage/Litres	2022 – Fuel cost £	2023 – Fuel usage/Litres	2023 – Fuel cost £
January	525.0	765.19	2,418.80	3,885.63
February	6,363.3	9,495.39	3,313.64	5,258.78
March	5,123.2	8,332.91	3,243.95	5,079.77
April	2,790.9	4,516.82	2,771.86	4,272.79
May	3,053.9	5,202.70	4,450.24	6,656.24
June	3,798.9	7,253.19	3,506.47	5,061.32
July	1,549.7	2,891.76	3,412.03	4,920.45
August	4,086.3	6,951.60	3,987.02	5,972.31
September	3,654.4	5,993.25	3,067.88	4,769.95
October	6,415.1	10,640.76	3,033.28	4,812.45
November	6,072.0	9,783.83	3,792.49	5,878.17
December	5,821.1	8,844.51	4,483.63	6,597.04
Total	49,253.8	80,671.91	41,481.29	63,164.90

Following the effects of the pandemic, the company considers that fuel consumption has now stabilised, with video calls being encouraged where possible to enable meetings. This together with an EV car scheme (based on salary sacrifice) introduced in 2023 will, it is anticipated, reduce fuel consumption further over the next decade as the UK Government strives to improve its net zero performance around transport.

CO₂ Emissions

T&R continues to operate a cycle to work scheme (again through salary sacrifice) and has installed free charging ports for electric vehicles at its sites. We are currently looking at changes to our logistics provider which will allow the use of a newly expanded electrical fleet and vehicles using HVO instead of diesel. Both of these efforts will likely result in a substantial reduction in Scope 3 CO₂ emissions.

THORNTON & ROSS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Focus moving forward

Metrics are being developed around the company's project portfolio looking at the savings in CO2 that can be made once these are functionally operational. Further metrics are planned around other areas of the business including logistics and procurement. We plan to identify CO2 savings related to capital and product related projects to enable a 'flight path' toward net zero to be developed.

A feasibility study has been undertaken for the installation of solar panels at the production site with planning permission obtained from the local council for a 505.04 kWp roof mounted solar array. The company is keen to progress this project and maximise the benefits from its operation.

Updated efficient boiler systems have been investigated and a feasibility study prepared and submitted to management. This is awaiting evaluation and approval as part of the manufacturing facilities wider renewal ambitions

Directors' confirmations

In the case of each Director in office at the date when this Directors' Report is approved:

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

Independent Auditors

The Independent 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 31 July 2024 and signed on its behalf.



**J Collett
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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 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 2023; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment laws, health and safety regulations, and The Medicine and Healthcare products Regulatory Agency ('MHRA') 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 UK tax legislation and 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 with 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 detect irregularities in the control environment;
- Identifying and testing journal entries using a risk based targeting approach for unexpected account combinations impacting revenue and earnings before interest, tax, depreciation and amortisation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, including the assumptions over intangible asset valuation and the defined benefit pension liability; and
- Reviewing financial statement disclosures and testing to support documentation to assess compliance with applicable laws and regulations.

THORNTON & ROSS LIMITED

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.



Elizabeth Ross-Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
31 July 2024

THORNTON & ROSS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £000	2022 £000
Turnover	4	198,806	174,375
Cost of sales		(130,090)	(115,266)
Gross profit		68,716	59,109
Selling and distribution costs		(19,119)	(17,689)
Marketing expenses		(16,249)	(17,696)
Research and development expenses		(3,533)	(3,299)
Administrative expenses		(15,045)	(13,918)
Other operating income	5	8,687	7,723
Other (expense)/income	6	(174)	291
Operating profit	7	23,283	14,521
Interest receivable and similar income		157	-
Interest payable and similar expenses	11	(3,795)	(2,233)
Other finance (expenses)/income	12	(104)	12
Profit before tax		19,541	12,300
Tax on profit	13	(4,218)	(874)
Profit for the financial year		15,323	11,426
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on post-employment benefit obligations		(295)	(4,281)
Movements of deferred tax relating to post-employment benefit obligations	23	230	1,065
Total other comprehensive (expense)/income		(65)	(3,216)
Total comprehensive income for the year		15,258	8,210

The notes on pages 22 to 54 form part of these financial statements.

THORNTON & ROSS LIMITED
REGISTERED NUMBER: 00185947

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	14	79,022	80,842
Tangible assets	15	46,665	45,311
Investments	16	801	801
		<u>126,488</u>	<u>126,954</u>
Current assets			
Stocks	17	64,333	52,284
Debtors: amounts falling due within one year	18	39,065	45,704
Cash at bank and in hand	19	6,172	4,039
		<u>109,570</u>	<u>102,027</u>
Creditors: amounts falling due within one year	20	(162,800)	(170,934)
Net current liabilities		<u>(53,230)</u>	<u>(68,907)</u>
Total assets less current liabilities		<u>73,258</u>	<u>58,047</u>
Creditors: amounts falling due after more than one year	21	(1,549)	(2,046)
		<u>71,709</u>	<u>56,001</u>
Provisions for liabilities			
Deferred taxation	23	(9,327)	(8,122)
Other provisions	24	(71)	(61)
		<u>(9,398)</u>	<u>(8,183)</u>
Pensions and similar obligations	28	(1,837)	(2,602)
Net assets		<u><u>60,474</u></u>	<u><u>45,216</u></u>

THORNTON & ROSS LIMITED
REGISTERED NUMBER: 00185947

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Capital and reserves			
Called up share capital	25	32	32
Share premium account	26	1,008	1,008
Other reserves	26	104	104
Profit and loss account	26	59,330	44,072
Total equity		<u><u>60,474</u></u>	<u><u>45,216</u></u>

The financial statements on pages 18 to 54 were approved and authorised for issue by the board and were signed on its behalf on 31 July 2024.



J Collett
Director

The notes on pages 22 to 54 form part of these financial statements.

THORNTON & ROSS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2022	32	1,008	104	35,862	37,006
Comprehensive income/(expense) for the year					
Profit for the year	-	-	-	11,426	11,426
Remeasurements on post-employment benefit obligations	-	-	-	(4,281)	(4,281)
Deferred tax on post-employment benefit obligation	-	-	-	1,065	1,065
Other comprehensive expense for the year	-	-	-	(3,216)	(3,216)
Total comprehensive income for the year	-	-	-	8,210	8,210
At 31 December 2022 and 1 January 2023	32	1,008	104	44,072	45,216
Comprehensive income/(expense) for the year					
Profit for the year	-	-	-	15,323	15,323
Remeasurements on post-employment benefit obligations	-	-	-	(295)	(295)
Deferred tax on post-employment benefit obligation	-	-	-	230	230
Other comprehensive expense for the year	-	-	-	(65)	(65)
Total comprehensive income for the year	-	-	-	15,258	15,258
At 31 December 2023	32	1,008	104	59,330	60,474

The notes on pages 22 to 54 form part of these financial statements.

THORNTON & ROSS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

The Company is a private company limited by shares and is incorporated, registered and domiciled in England, United Kingdom. Registered number: 00185947.

The Company manufactures and distributes pharmaceutical and household products.

2. Material accounting policies

2.1 New and revised standards and interpretations not applied

There are a number of new and revised IFRSs (International Financial Reporting Standards) that have been issued but are not yet effective. Of these, there are none that are expected to have a material impact on the Company.

2.2 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' (FRS 101) and the Companies Act 2006 as applicable to companies reporting under FRS 101.

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 principal accounting policies outlined in this note have been applied consistently throughout the current and previous financial years.

2.3 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 paragraphs 10(d), 16, 38A, 38B, 38C, 38D, 40A, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements to disclose a reconciliation of carrying amount of Tangible assets at the beginning and end of the period (IAS 16.73(e))
- the requirements to disclose a reconciliation of carrying amount of Intangible assets at the beginning and end of the period (IAS 38.118(e))
- 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

THORNTON & ROSS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies (continued)

2.4 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of an intermediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.5 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.

A review of scenarios for a period of at least 12 months from the date of signing has been undertaken. The review takes into account four of the STADA subsidiary companies based in Huddersfield, being Thornton & Ross Limited, Genus Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Internis Pharmaceuticals Limited. All four of these companies are considered in the review as there is an intercompany services agreement in place (see note 2.6) whereby Thornton & Ross Limited provides services (including operational and administrative support) to Internis Pharmaceuticals Limited, Genus Pharmaceuticals Holdings Limited and Genus Pharmaceuticals Limited.

The review takes into account profit and loss forecasts extending to December 2025 and liquidity cashflow forecasts for the same period. The normal scenario forecasts that the entities are going concerns with sufficient headroom on cashflows, this uses revenue growth of 12% and operating expense growth of 10% for the forthcoming financial year. The downturn scenario reduces sales and cost of sales by 10%, whilst not applying a decrease to operating expenses, this scenario also results in sufficient headroom on cashflows even if the Company repays its £36.5m loans. See Note 20 for details of the loans.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies (continued)

2.6 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 principals, 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.

3. Registration of charges

The Company has a registered charge with US Bank Trustees Limited. The charge is held over the Company's shares and all corresponding related rights, and over the Company's bank accounts and all corresponding related rights, subject to the express exclusion of specific assets. The charge is a fixed charge and was created as part of a refinancing exercise for the parent company of the STADA Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Material accounting policies (continued)

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.8 Revenue recognition

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

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Sale of goods

Turnover 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 despatched 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.

Obligations for returns or refunds are considered at each period end and provisions are recognised if necessary on an expected value basis.

THORNTON & ROSS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies (continued)

2.9 Leases

The Company leases buildings, plant, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options.

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 to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

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 incremental borrowing rate used to calculate the lease liability is determined by reference to the group treasury borrowing rates.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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. Break clauses are included in the Company's leases; periods after break clauses are only included in the lease term if it is reasonably certain that the break clause will not be utilised.

The right-of-use assets are included in tangible assets 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 2.17.

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.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Material accounting policies (continued)

2.10 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.

2.11 Interest income

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

2.12 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.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Material accounting policies (continued)

2.13 Pensions

The Company operates post-employment benefit 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.

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 FRS 101 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 remeasurements on post-employment benefit obligations.

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.

The net interest income/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 income/cost is recognised in profit or loss as other finance income/expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Material accounting policies (continued)

2.13 Pensions (continued)

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.

2.14 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 reporting 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.

THORNTON & ROSS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies (continued)

2.15 Intangible assets

Intangible assets comprise acquired and reacquired brands, licences, patents, 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 five 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 are amortised from the point they are brought into full operational use.

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 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.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Material accounting policies (continued)

2.16 Tangible assets (continued)

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:

Buildings	- 50 years
Plant and machinery	- 10 - 45 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.

2.17 Impairment of tangible and intangible 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 'CGU' 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.

THORNTON & ROSS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies (continued)

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 prices 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.

Expected credit losses are provided for by the Company in accordance with IFRS 9, this is calculated using the risk of default on a customer's uninsured receivable balance and also applying the customer's industry risk factor.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies (continued)

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 instruments that are measured at amortised cost 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

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

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.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

Estimates and judgements 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 judgements 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. The sensitivity to the defined benefit obligation to changes in principal assumptions is disclosed in Note 28.

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 28.

b) Capitalisation of internally generated intangible assets

During the year the Directors considered the recoverability of the Company's internally generated intangible assets, comprising developed products and product development costs, which are included in the statement of financial position at £5,170,000 (2022 - £1,169,000). 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 predominantly 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 £71,740,000 (2022 - £74,255,000) at the next reporting date (within 12 months). If the useful lives were two years shorter, the carrying amount would instead be £70,712,000 (2022 - £73,279,000) and if they were 2 years longer, the carrying amount would be £72,500,000 (2022 - £74,984,000).

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

Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit 'CGU' to which the asset has been allocated) is tested for impairment. For the 2023 and 2022 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

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Judgements in applying accounting policies (continued)

use cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using an estimated growth rate of 2.5%. 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 tested.

Sales volume

Average annual growth rate over the four-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.

Post-tax discount rates

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

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. This is only on those intangibles where there is an impairment trigger and hence an impairment assessment has been performed:

Reduce growth rates by 1%: £nil (2022 - £nil)

Increase the WACC (post-tax rate of 8.2%) by 1%: £nil (2022 - £nil)

4. Turnover

Analysis of turnover by country of destination:

	2023	2022
	£000	£000
United Kingdom	175,375	160,018
Rest of Europe	13,516	7,809
Rest of the world	9,915	6,548
	198,806	174,375

All revenue arises from the sale of goods.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. Other operating income

	2023	2022
	£000	£000
Other operating income	8,717	7,667
(Loss)/profit on disposal of tangible assets	(30)	56
	8,687	7,723

Other operating income arises from intercompany recharges from the Company to its fellow subsidiary entities in respect of shared services.

6. Other (expense)/income

	2023	2022
	£000	£000
Foreign exchange (losses)/gains	(174)	291
	(174)	291

7. Operating profit

The operating profit is stated after charging/(crediting):

	2023	2022
	£000	£000
Reorganisation costs	949	1,137
Depreciation of tangible assets	4,334	4,365
Amortisation of intangible assets	5,822	5,780
Impairment of intangible assets (recognised in administrative expenses)	240	634
Cost of stocks recognised as an expense	76,568	68,174
Movement in impairment of stock	(702)	3,746

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Auditors' remuneration

	2023	2022
	£000	£000
Fees payable to the Company's Auditors and their associates for the audit of the Company's annual financial statements	<u>286</u>	<u>389</u>

The directors of the company have agreed with the company's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2023 and the financial statements of its parent, STADA UK Holdings Limited (the 'parent') and its other UK subsidiary companies whose statutory audits are governed by the same agreement with the auditor (the 'subsidiaries') will be limited to the greater of £5 million or 5 times the auditor's fees for the statutory audits, and that, in any event, the auditor's liability for damages will be limited to that part of any loss suffered by the parent company and the subsidiaries as is just and equitable having regard to the extent to which the auditor, the parent company, the subsidiaries and any third parties are responsible for the loss in question. The shareholders of the parent and its subsidiaries waived the need for approval of this liability limitation agreement, as required by the Companies Act 2006, by a resolution dated 13 March 2024.

9. Employees

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

	2023	2022
	£000	£000
Wages and salaries	33,693	28,171
Social security costs	3,107	3,136
Other pension costs	1,817	1,298
	<u>38,617</u>	<u>32,605</u>

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

	2023	2022
	No.	No.
Selling and administrative	240	241
Manufacturing	442	396
	<u>682</u>	<u>637</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	474	978
Company contributions to defined contribution pension schemes	29	17
	<u>503</u>	<u>995</u>

The highest paid Director received remuneration of £152k (2022 - £750k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £12k (2022 - £Nil).

The total accrued pension provision of the highest paid Director at 31 December 2023 amounted to £Nil (2022 - £Nil).

11. Interest payable and similar expenses

	2023	2022
	£000	£000
Interest on loans from group undertakings	2,462	1,517
Interest on lease liabilities	92	130
Other interest payable	1,241	586
	<u>3,795</u>	<u>2,233</u>

12. Other finance (expenses)/income

	2023	2022
	£000	£000
Interest income on pension scheme assets	715	483
Net interest on net defined benefit liability	(819)	(471)
	<u>(104)</u>	<u>12</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Taxation on profit

	2023	2022
	£000	£000
Corporation tax		
Current tax on profits for the year	3,687	606
Adjustments in respect of prior periods	(904)	(1,813)
Total current tax	<u>2,783</u>	<u>(1,207)</u>
Deferred tax		
Origination and reversal of timing differences	1,460	1,922
Adjustment in respect of prior periods	(25)	159
Total deferred tax	<u>1,435</u>	<u>2,081</u>
Taxation on profit	<u>4,218</u>	<u>874</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Taxation on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - *lower than*) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit before tax	<u>19,541</u>	<u>12,300</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	4,596	2,337
Effects of:		
Expenses not deductible for tax purposes	35	166
Capital allowances for year in excess of depreciation	(52)	(259)
Adjustments in respect of prior periods	(929)	(1,654)
Group relief claimed	-	(201)
Effect of rate change from 19% to 25%	86	720
Other differences leading to a increase/(decrease) in the tax charge	482	(235)
Total tax charge for the year	<u>4,218</u>	<u>874</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. Intangible Assets

	Acquired Brands and Licenses £000	Trademarks and Patents £000	Assets under construction £000	Total £000
Cost				
At 1 January 2023	123,085	3,475	3,826	130,386
Additions	38	3,246	958	4,242
Transfers between classes	1	171	(172)	-
At 31 December 2023	<u>123,124</u>	<u>6,892</u>	<u>4,612</u>	<u>134,628</u>
Amortisation				
At 1 January 2023	43,412	3,113	3,019	49,544
Charge for the year on owned assets	5,758	64	-	5,822
Impairment Charge	102	6	132	240
At 31 December 2023	<u>49,272</u>	<u>3,183</u>	<u>3,151</u>	<u>55,606</u>
Net book value				
At 31 December 2023	<u><u>73,852</u></u>	<u><u>3,709</u></u>	<u><u>1,461</u></u>	<u><u>79,022</u></u>
At 31 December 2022	<u><u>79,673</u></u>	<u><u>362</u></u>	<u><u>807</u></u>	<u><u>80,842</u></u>

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

Acquired brands and licenses have an average remaining amortisation period of 13 years on a straight-line basis. Trademarks and patents have an average remaining amortisation period of 18 years on a straight-line basis. Assets under construction are not amortised. Once they are complete these will be transferred into acquired brands and licenses or trademarks and patents.

Amortisation of intangible assets is recorded in cost of sales in the statement of comprehensive income.

There are six individually material intangible assets all within Acquired Brands and Licenses and are as follows with carrying amounts of £5,242k, £3,548k, £21,188k, £11,014k, £18,090k, £3,695k and remaining amortisation of 10.4 years, 14.1 years, 15.5 years, 15.5 years, 15.5 years, 15.5 years respectively.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. Tangible assets

	Land and Buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2023	13,835	66,251	7,309	797	88,192
Additions	-	5,255	106	356	5,717
Disposals	-	(162)	(55)	64	(153)
At 31 December 2023	<u>13,835</u>	<u>71,344</u>	<u>7,360</u>	<u>1,217</u>	<u>93,756</u>
Depreciation					
At 1 January 2023	5,413	31,238	5,472	758	42,881
Charge for the year on owned assets	179	2,674	592	-	3,445
Charge for the year on right-of-use assets	645	104	8	132	889
Disposals	-	(41)	(42)	(41)	(124)
At 31 December 2023	<u>6,237</u>	<u>33,975</u>	<u>6,030</u>	<u>849</u>	<u>47,091</u>
Net book value					
At 31 December 2023	<u>7,598</u>	<u>37,369</u>	<u>1,330</u>	<u>368</u>	<u>46,665</u>
At 31 December 2022	<u>8,422</u>	<u>35,013</u>	<u>1,837</u>	<u>39</u>	<u>45,311</u>

The cost of freehold land which is not depreciated included in land and buildings is £84,000 (2022 - £84,000).

The net book value of owned and leased assets included as tangible assets in the statement of financial position is as follows:

	2023 £000	2022 £000
Tangible assets owned	44,775	43,015
Right-of-use tangible assets	1,890	2,296
	<u>46,665</u>	<u>45,311</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15: Tangible assets (continued)

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

Net book value

	2023	2022
	£000	£000
Buildings	1,217	1,862
Plant and machinery	291	395
Motor vehicles	368	39
Fixtures and fittings	14	-
	<u>1,890</u>	<u>2,296</u>

Depreciation charge for the year ended

	2023	2022
	£000	£000
Buildings	645	645
Plant and machinery	104	104
Motor vehicles	132	289
Fixtures and fittings	8	-
	<u>889</u>	<u>1,038</u>

Additions to right-of-use assets

	2023	2022
	£000	£000
Additions to right-of-use assets	<u>378</u>	<u>64</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

16. Investments

	Investments £000
Cost or valuation	
At 1 January 2023	801
At 31 December 2023	801

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Direct 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%

Direct holdings in the subsidiary undertakings of the Company were all 100% at 31 December 2022 and at 31 December 2023.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. Stocks

	2023	<i>2022</i>
	£000	<i>£000</i>
Raw materials and consumables	18,968	<i>18,835</i>
Work in progress (goods to be sold)	1,463	<i>962</i>
Finished goods and goods for resale	43,902	<i>32,487</i>
	<u>64,333</u>	<i><u>52,284</u></i>

Impaired stock at the year end was £5,245k (2022: £5,872k). The value of stock expensed through cost of sales is including in the operating profit note.

18. Debtors: amounts falling due within one year

	2023	<i>2022</i>
	£000	<i>£000</i>
Trade debtors	32,422	<i>32,887</i>
Amounts owed by group companies	3,764	<i>4,507</i>
Other debtors	1,343	<i>1,279</i>
Prepayments	1,536	<i>1,796</i>
Tax recoverable	-	<i>5,235</i>
	<u>39,065</u>	<i><u>45,704</u></i>

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 31 December 2023 receivables amounting to £21,999,989 (31 December 2022 - £21,999,998) 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 £21,339,990 (initial purchase price) (31 December 2022 - £21,339,998), net of deferred purchase price (calculated at 3% (2022 - 3%) of the nominal amount of a purchased receivable for deductible according to the credit insurance agreement) of £660,000 (31 December 2022 - £660,000), was received in cash by the Company by 31 December 2023. As at 31 December 2023 the deferred purchase price of £660,000 (31 December 2022 - £660,000) is 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.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

19. Cash at bank and in hand

	2023 £000	2022 £000
Cash at bank and in hand	6,172	4,039
	<u>6,172</u>	<u>4,039</u>

20. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	16,241	30,681
Amounts owed to group companies	120,964	124,047
Other taxation and social security	3,514	3,385
Lease liabilities	747	646
Other creditors	6,683	3,750
Accrued expenses and deferred income	13,565	8,425
Corporation Tax	1,086	-
	<u>162,800</u>	<u>170,934</u>

Amounts due to group undertakings are unsecured. Trading balances have no fixed date of repayment and are repayable on demand. The balance also includes loans with an affiliate group company (STADA Arzneimittel AG) totalling £36,460,000 (2022 - £29,500,000) that accrue interest at rates between 4.3% + SONIA and 6+3% + SONIA, and have maturity dates of between November and December 2024.

Other creditors include amounts of £5,428,000 (2022 - £2,491,000) related to factored debts that had been received between the factoring date and the year end date.

21. Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Lease liabilities	1,549	2,046
	<u>1,549</u>	<u>2,046</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

22. Leases

Company as a lessee

Leases undertaken relate to building leases, plant and machinery and motor vehicles as disclosed in note 15.

Lease liabilities are due as follows:

	2023	2022
	£000	£000
Not later than one year	747	646
Between one year and five years	1,549	2,046
	<u>2,296</u>	<u>2,692</u>

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

	2023	2022
	£000	£000
Interest expense on lease liabilities	<u>92</u>	<u>130</u>

Total cash outflows in respect of leases is £878k (2022 - £2,098k).

Lease liabilities includes a balance of £1,622k for The Globe building lease which has been calculated to the break date of 13 June 2027. There is the option to then continue the lease to 14 June 2032.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

23. Deferred taxation

	2023 £000	2022 £000
At beginning of year	(8,122)	(7,106)
Charged to the profit or loss	(1,435)	(2,081)
Credited to other comprehensive expense	230	1,065
At end of year	<u>(9,327)</u>	<u>(8,122)</u>
	2023 £000	2022 £000
Accelerated capital allowances	(10,292)	(9,276)
Pension benefit obligations	1,565	1,335
Other timing differences	(600)	(181)
	<u>(9,327)</u>	<u>(8,122)</u>

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 2022	(7,667)	270	291	(7,106)
(Charge) to the income statement	(1,609)	-	(472)	(2,081)
Credit to other comprehensive income	-	1,065	-	1,065
At 31 December 2022 and 1 January 2023	(9,276)	1,335	(181)	(8,122)
(Charge) to the income statement	(1,016)	-	(419)	(1,435)
Credit to other comprehensive (expense)	-	230	-	230
At 31 December 2023	<u>(10,292)</u>	<u>1,565</u>	<u>(600)</u>	<u>(9,327)</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

24. Other provisions

	Long service award £000	Total £000
At 1 January 2023	61	61
Charged to profit or loss	10	10
At 31 December 2023	71	71

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. The timing of outflows for this provision is uncertain.

25. Called up share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
4,100 (2022 - 4,100) 'A' Ordinary shares of £1.00 each	4	4
25,307 (2022 - 25,307) 'B' Ordinary shares of £1.00 each	25	25
600 (2022 - 600) 'C' Ordinary shares of £1.00 each	1	1
1,547 (2022 - 1,547) 'D' Ordinary shares of £1.00 each	2	2
	32	32

'A' and 'C' shares are non-voting with dividend rights.

'B' shares have full voting and dividend rights.

'D' shares are non-voting and not entitled to receive any dividends.

26. 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.

Other reserves

Other reserves is comprised of a capital redemption reserve, which includes amounts relating to historic purchases by the Company of its own share capital.

Profit and loss account

The profit and loss account includes all current and prior year retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

27. Capital commitments

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

Tangible assets - £2,515,000 (2022 - £2,314,000).

28. Pension commitments

The Company operates a defined benefit pension scheme (the '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 Guaranteed Minimum Pension '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 judgement) 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 was allowed for as a past service cost and was 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.

GMP equalisation - Current Members: An allowance for GMP equalisation was included in 31 December 2018 year end disclosures. The Trustees and Company have yet to implement GMP equalisation and there is no new evidence. Therefore, the previous GMP equalisation allowance has been retained but adjusted for the passage of time and to reflect the estimated impact of change in market conditions.

GMP equalisation - Pre 2018 Transfer Values: Following the outcome of the High Court case on 20 November 2020, transfers out of the scheme between May 1990 and October 2018 will need to be revisited and equalised for GMP (if applicable). The Company has made no additional allowance for GMP equalisation in historic transfers out because it deems it not to be material.

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

28. Pension commitments (continued)

The amounts recognised in the statement of financial position are determined as follows:

Reconciliation of present value of plan liabilities:

	2023	2022
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	16,553	26,592
Past service cost	710	-
Interest cost	819	471
Effect of changes in financial assumptions	468	(10,382)
Benefits paid	(633)	(892)
Effect of changes in demographic assumptions	(922)	(218)
Remeasurements: effect of experience adjustments	522	982
At the end of the year	<u>17,517</u>	<u>16,553</u>

Composition of plan liabilities:

	2023	2022
	£000	£000
Vested deferred	10,467	11,114
Retirees	7,050	5,439
Total plan liabilities	<u>17,517</u>	<u>16,553</u>

Reconciliation of present value of plan assets:

	2023	2022
	£000	£000
At the beginning of the year	13,951	26,341
Interest income	715	483
Return on plan assets	(227)	(13,879)
Employer contributions	1,900	1,900
Benefits paid	(633)	(892)
Administrative expenses paid	(26)	(2)
At the end of the year	<u>15,680</u>	<u>13,951</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

28. Pension commitments (continued)

Composition of plan assets:

	2023	2022
	£000	£000
Debt instruments (quoted)	15,353	13,804
Cash and cash equivalents	327	147
Total plan assets	<u>15,680</u>	<u>13,951</u>
	2023	2022
	£000	£000
Fair value of plan assets	15,680	13,951
Present value of plan liabilities	(17,517)	(16,553)
Net pension scheme liability	<u>(1,837)</u>	<u>(2,602)</u>

Expected employer contributions to the Scheme in the year ended 31 December 2024 will be £1,900,000 (2023 - £1,900,000). This will reduce the net liability. 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:

	2023	2022
	£000	£000
Interest on obligation	(819)	(471)
Interest income on plan assets	715	483
Past service cost	(710)	-
Administrative expenses paid	(26)	(2)
Total	<u>(840)</u>	<u>10</u>
Re-measurement losses in other comprehensive expense	(295)	(4,261)
	<u>(295)</u>	<u>(4,261)</u>

THORNTON & ROSS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

28. Pension commitments (continued)

Net defined benefit liability reconciliation:

	2023	2022
	£000	£000
Opening net defined benefit liability	(2,602)	(251)
Defined benefit net (expense)/income recognised in P&L	(840)	10
Employer contributions	1,900	1,900
Re-measurement losses in other comprehensive expense	(295)	(4,261)
Closing defined benefit obligation	<u>(1,837)</u>	<u>(2,602)</u>

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023	2022
	%	%
Discount rate	4.75	4.95
RPI Inflation	3.00	3.10
Rate of pension increases - earned after 5 April 1997	2.65	2.65
CPI inflation	2.75	2.80
Mortality rates		
- for a male aged 65 now	20.2	22.2
- at 65 for a male aged 45 now	21.5	23.5
- for a female aged 65 now	23.1	24.5
- at 65 for a female member aged 45 now	<u>24.5</u>	<u>25.9</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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28. Pension commitments (continued)

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

	Increase by 50 basis points £000	Decrease by 50 basis points £000
Discount rate - 2023	(1,125)	1,251
Discount rate - 2022	(1,083)	1,192
Pension increase rate - 2023	369	(379)
Pension increase rate - 2022	<u>552</u>	<u>(522)</u>

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 14 years.

29. Post balance sheet events

There have been no significant events affecting the Company since the year end.

30. Controlling party

The Company's immediate parent undertaking is STADA UK Holdings Limited, a company incorporated in the United Kingdom. The registered address is 200 Longwater Avenue, Green Park, Reading, Berkshire, RG2 6GP.

The smallest consolidation in which the Company is included is at the level of STADA Arzneimittel AG, a company incorporated in Germany. The consolidated financial statements are publicly available from STADA Arzneimittel AG, Stadastrasse 2-18, 61118 Bad Vilbel, Germany, which is the registered office address.

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 its registered address at Nidda German Topco GmbH, Stadastrasse 2-18, 61118 Bad Vilbel, Germany. This is the largest consolidation in which the Company is included.