

MACARTHYS LABORATORIES LIMITED

Annual Report and Financial Statements

for the year ended

31 December 2022

Company Number: 00620024



MACARTHYS LABORATORIES LIMITED

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MACARTHYS LABORATORIES LIMITED

**Company Information
for the year ended 31 December 2022**

Directors: B De Ultra De Sousa Barcelos
P J Concannon
X P C Lasserre

Registered office: Bampton Road
Harold Hill
Romford
Essex
RM3 8UG

Registered number: 00620024 (England and Wales)

Independent auditors: Grant Thornton UK LLP
Priory Place
New London Road
Chelmsford
CM2 0PP

MACARTHYS LABORATORIES LIMITED

Strategic Report for the year ended 31 December 2022

The directors present their strategic report and the audited financial statements of Macarthy Laboratories Limited (the "Company") for the year ended 31 December 2022.

Review of business

Macarthy Laboratories Limited strives to take advantage of the current climate for pharmaceuticals by leveraging its well respected and understood brand name, Martindale Pharma, through a reputation of supplying key medicines in priority areas of health spend. The success of the Company is underpinned by its strong relationships with strategic purchasers of pharmaceuticals in the primary and secondary care environments.

The Company continues to have a strong and established position in UK hospital-initiated and emergency care products - it is a leading provider of drugs focused on the cardiovascular system, analgesia, anaesthesia, antidotes and metabolic imbalances with a portfolio of 120+ products supplied to every UK NHS / private hospital. It develops and markets innovative reformulations of established drugs, including for the treatment of complex epilepsy and paediatric cardiology and is a market leader in pre-filled syringes used in resuscitation and intensive care unit settings with its Aurum brand. The Company has a dedicated hospital focused sales force with deep understanding of market dynamics and strong relationships with key decision makers.

Further the Company has a unique portfolio of opioid addiction products and is the only organisation offering first-to-market or differentiated versions of all three gold standard molecules used to treat opioid addiction. It is a market leader in methadone in the UK with sales and margin growth achieved through strong partnerships with third sector treatment providers and pharmacy groups and has the opportunity to launch current products internationally with regulatory filings on-going.

The Company has a successful track record identifying and launching new product opportunities and as a leading supplier of medicines to UK hospitals, holds strong relationships with prescribers, budget holders and pharmacists to facilitate the presentation and discussion of new products. The Company has a highly effective go-to-market operation for new product introduction, which leverages an established channel to hospital and retail markets.

The Company continues to invest to deliver efficient and modern manufacturing capabilities which can be leveraged for supply chain advantage.

As a result of the above the Company has an effective platform for expansion in key international markets. Currently serving over 50 countries globally, the Company actively manages distributors, operations and regulatory processes in a number of geographic locations including a presence in the Middle East for 20 years with an established scientific office in Saudi Arabia and a regional sales office based in Dubai.

Principal risks and uncertainties

Management continues to review risks proactively to keep the Company at an acceptable level of overall business risk. The key strategic risks are quality compliance, regulatory approvals, failure to develop and introduce new products and exposure to economic conditions and competitor actions.

The Company operates in a pharmaceutical sector which is highly regulated. The Company has to meet stringent quality requirements in order to maintain its manufacturing licences. Constant monitoring of the supply chain is required to ensure customer satisfaction and the maintenance of trading relationships.

Regulatory requirements are a major factor in determining whether new products can be developed and existing products can be continued. The Company is required to comply with a wide range of regulatory controls over the manufacturing and testing of its products. The Company places high importance on its quality control procedures, both through maintenance of proper systems of control and appropriate qualifications and experience of quality control personnel.

The Company operates in a business sector which continually develops new products. In order to remain competitive the Company must continue to develop innovative products that satisfy customer needs.

MACARTHYS LABORATORIES LIMITED**Strategic Report
for the year ended 31 December 2022**

Developing new products is a costly, lengthy and uncertain process and potential products may not be brought to market for a number of reasons, such as failure to receive regulatory approval or competitor actions. Regular internal and market focused reviews are undertaken to ensure such risks are minimised and the Company uses a wide body of technical and medical experts to challenge and support its research and development activities.

In addition, there are several financial risks which are detailed in the Directors' report on page 7.

Strategy, future developments and important events post year end

The Company's strategy is to continue the transformation of Martindale Pharma as an international specialty pharmaceutical company allied with the Ethypharm Group companies. The execution of this strategy is based on the implementation of four key strategies:

- Maintenance of our UK hospital specialty product franchise and driving growth through in-licencing of opportunities that are complementary to our existing portfolio.
- Building an international business including local operations in selected key geographic locations.
- Developing a reliable supply chain that creates value through manufacturing capabilities and has sustainable third party relationships.
- Maximising our portfolio by development (and acquisition / licensing) of new products or line extensions within core therapy areas.

During the year the ultimate parent company, Financière Verdi III, undertook a strategic review of the portfolio of pharmaceutical products supplied by its UK entities with the goal of consolidating the focus of each UK entity to a specific specialty product area. From 1 January 2023 the sale of certain pharmaceutical products were transferred to it from fellow UK group entity Ethypharm UK Limited.

On 30 August 2023, a restructuring exercise of the UK subsidiaries of the Group took place, whereby direct ownership of Aurum Pharmaceutical Limited and Viridian Pharma Limited, both inactive companies, was transferred from the Company to its immediate parent entity Orphea Limited at par value for a total of £1,100. There was no change in ultimate control to any entity.

Results and dividends

The profit for the year is set out in the statement of comprehensive income on page 14.

Profit before taxation for the financial year was £21.7m (2021: £19.0m).

Interim dividends to a total of £32.9m were declared in the year, resulting in the settlement of £10.0m in cash and £22.9m offset against amounts receivable to the Company from parent company Orphea Limited.

Key performance indicators

The Board monitors a number of key financial performance indicators including turnover, gross profit margin and earnings before interest, tax, depreciation and amortisation (EBITDA).

	2022	2021
	£'000	£'000
Turnover	127,596	117,992
Gross profit	43,214	39,192
Gross profit margin	33.9%	33.2%
EBITDA	28,424	23,608
Cash at bank and in hand	10,269	6,740

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**Strategic Report
for the year ended 31 December 2022**

Net assets	54,979	66,290
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- Turnover in the financial year increased by 8.1% to £127.6m (2021: £118.0m) as a result of strong sales growth and the prior year impact of a one-off €5.2m sales rebate accrual;
- Gross margin increased from 33.2% to 33.9% between the respective years due to benefits from cost saving efficiencies and the mix of product sales;
- EBITDA margin increased to 22.3% (2021: 20.0%);
- Cash balances held at bank and in hand increased by £3.5m to £10.3m (2021: £6.7m) due to active management of working capital;
- Net assets decreased by £11.3m to £55.0m (2021: £66.3m) as a consequence of the £32.9m dividend distribution in the year.

Statement by the directors in performance of their statutory duties in accordance with section 172 (1) of the Companies Act

The directors of the Company, and those of all UK Companies, must act in accordance with a set of general duties as detailed in Section 172 of the Companies Act 2006, which are set out below:

“A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,*
- b) the interests of the company's employees,*
- c) the need to foster the company's business relationships with suppliers, customers and others,*
- d) the impact of the company's operations on the community and the environment,*
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and*
- f) the need to act fairly as between members of the company.”*

In making this assessment, the Board considers the following matters to be of particular relevance:

Section 172 Requirement	Examples of how the Board's discussions and decision making have been taken into account
(a) the likely consequences of any decision in the long term	During the year, the Board ensured that employees received regular communications and, where applicable, were consulted with on the various proposals. The Board carefully considered the consequences of their decisions over the long term and concluded that the actions would be of benefit to the Company and its members.
(b) the interests of the Company's employees	<p>Health and Safety of employees remains a priority consideration within the Company. The Board, together with Company management, regularly review Health, Safety and Environmental metrics in order to be sure that practices implemented in support of the Company's policies are working effectively and that continuous improvement in performance is achieved.</p> <p>The Company has continued to communicate directly with employees, as appropriate, via supervisory briefings, employee information bulletins, the staff intranet and an internal company magazine.</p> <p>For further information, please see the corporate and social responsibility and employees sections on page 7.</p>

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**Strategic Report
for the year ended 31 December 2022**

<p>(c) the need to foster the Company's business relationships with suppliers, customers and others</p>	<p>As further detailed in the corporate and social responsibility section on page 7, the positive development of business relationships with suppliers, customers and other stakeholders is a key priority of the Company.</p> <p>The Board supports active engagement with our customer base, allowing the Company to work closely with healthcare professionals and authorities to ensure appropriate use and access to its drugs for as many as possible all around the world.</p> <p>Business development and licencing partnerships are fundamental to the Company's success, and the Board are focused on fostering long term co-operation with external partners.</p> <p>The Board acknowledges the critical role that our suppliers have to play in delivering the Company's strategic aim of providing the highest quality pharmaceutical products to our customers. The Company targets long-term relationships with suppliers who match our values on ethical and sustainability goals. The Board believes that partnership-style arrangements with suppliers, focused on growing revenues rather than controlling costs, helps promote innovation and mutually rewarding trading.</p>
<p>(d) the impact of the Company's operations on the community and the environment</p>	<p>The Company has well established policies for safeguarding and improving the social and environmental impact of its operations.</p> <p>The Company encourages its suppliers to operate their own plants to a standard consistent with our principles.</p>
<p>(e) the desirability of the Company maintaining a reputation of high standards of business conduct; and</p>	<p>The Board is committed to complying with all applicable regulations and requires every employee to certify to the Corporate Code of Conduct. A strong compliance culture is encouraged.</p>
<p>(f) the need to act fairly as between the members of the Company</p>	<p>The Company is ultimately owned by Financière Verdi III and regularly engages with its parent company to ensure that the Company plans are fully aligned with the group. This includes approval of annual budgets, future business plans and new product launches.</p>

On behalf of the board:

Bruno Barcelos

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B De Ultra De Sousa Barcelos

Director

14/9/2023

MACARTHYS LABORATORIES LIMITED

Directors' Report for the year ended 31 December 2022

The directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities

The principal activity of the Company in the year under review was that of the manufacture and sale of pharmaceutical products to hospitals, retail pharmacies and wholesalers in the UK and overseas. The Company trades as "Martindale Pharma".

Dividends

On 20th May 2022, the Company declared an interim dividend of £23.5m to its parent company Orpheia Limited which was settled with £5.0m of cash and offsetting £18.5m against amounts receivable to the Company from Orpheia Limited.

On 7th September 2022, the Company declared an interim dividend of £9.4m to its parent company Orpheia Limited which was settled with £5.0m of cash and offsetting £4.4m against amounts receivable to the Company from Orpheia Limited.

Interim dividends in the prior year of £137.0m were declared to parent company Orpheia Limited. These were partially satisfied by way of set-off against the intercompany loan balance of £122.0m plus accrued interest owed to the Company by Orpheia Limited, with the remainder settled by cash.

Directors' report disclosures made in the Strategic report

The future developments, important events post year end, and research and development activity of the Company have been disclosed in the Strategic report on page 3.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

B De Ultra De Sousa Barcelos (appointed 17 January 2023)

P J Concannon

B Deluard (resigned 13 September 2022)

X P C Lasserre (appointed 26 June 2023)

J B C Monin (appointed 1 November 2022, resigned 26 June 2023)

P E Parry (resigned 31 December 2022)

E Schmidt (resigned 31 December 2022)

Business environment

The Company continues to operate in a challenging economic and regulatory environment across all markets and continues to be responsive and adaptable to healthcare market needs, while actively seeking new product and service solutions and business development opportunities.

In the UK, against a continuing austerity undertone a decrease in real terms in National Health Service ('NHS') funding impacts drug pricing to hospitals, with framework agreements for the supply of medicines being reviewed more frequently, the increasing use of tenders to reduce acquisition costs and use of health technology assessments to ensure only innovative medicines representing value for money can be prescribed. Principal impact is on drug pricing to hospitals with contracts being reviewed more frequently and more competition encouraged. Further there have been increased pressures on reducing the prescribing of unlicensed medicines with a focus on price rather than quality and service.

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Directors' Report for the year ended 31 December 2022

Demographic-led changes for conditions such as diabetes and Alzheimer's disease will lead to non-NHS providers taking on patients and to changes in care pathways. Innovative products which improve adherence to treatment or reduce time healthcare professionals need to spend with patients will be rapidly adopted.

In Europe, healthcare markets face continued downward pressure on pricing, not only from the economic environment, but also the changing demographic of an ageing population. There are increasing barriers to adoption of new products in those markets to ensure only new, cost-effective products are prescribed and also mechanisms to reduce spend on medicines include mandatory price decreases, a reduction in reimbursement coverage and generic substitution at pharmacy level. The Middle East and North Africa region, particularly the Gulf Co-operation Council states, will see significant increases in healthcare spend and in particular infrastructure spend for new hospitals which will lead to increased usage of hospital medicines. There are a number of other regions, particularly in Asia Pacific where spend on medicines is increasing particularly in the area of emergency care and there continues to be demand for low cost, high quality generic products, but with constraints from limited funding and growing populations.

Financial risk management

The Company is exposed to a variety of financial risks that includes currency and credit risks. The board has reviewed the financial risks and has policies to manage each of these as summarised below.

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide Directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely reaction to changes in economic conditions and competitor actions.

Currency risk

The Company undertakes a certain level of sales in foreign currencies and sources certain raw materials and finished products from non-UK based manufacturers. The Company's risk to foreign exchange rate fluctuations is reviewed on a regular basis.

Credit risk

The Company manages its credit risk with the setting of appropriate credit limits and actively monitors its outstanding trade debtor balances.

Liquidity risk

In order to maintain liquidity to ensure sufficient funds are available for on-going operations and future developments, the Company uses a mixture of short term and long term debt finance.

Price risk

The Company manages the risk of price increases on its costs by utilising fixed pricing agreements with suppliers where possible to mitigate inflationary price pressures and, where necessary to maintain positive profit margins, with open negotiation with customers in order to be able to pass on increased costs via higher turnover.

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide Directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely reaction to changes in economic conditions and competitor actions.

Corporate and social responsibility

The Company manages its Corporate Social Responsibility programme based on four key areas: Our Community, Our Environment, Our Marketplace and Our People. Within each of these areas, it has identified key priorities

MACARTHYS LABORATORIES LIMITED

Directors' Report for the year ended 31 December 2022

that reflect its values and support its objectives of building a sustainable Company and maintaining high ethical standards:

- Our Community - wherever the Company does business, its priority is to make a positive contribution to the communities that it serves. The Company contributes to its community and supports active engagement of employees with the local community and charitable fund raising activities;
- Our Environment - at a time when climate change is of increasing concern, the Company's highest environmental priority is to improve its carbon management, and as such it engages in activities to reduce its carbon footprint for all facilities and by focusing on efficient logistics activities which reduce emissions. In addition, it focuses on activities to reduce waste and recycle materials;
- Our Marketplace - the Company recognises the trust in it that is held by its customers and wider stakeholders. The Company aims to maintain the highest standards of integrity in everything it does. Its products have direct impacts on the quality of life, health and well-being of our ultimate customer, the patient. The Company takes this responsibility seriously; and
- Our People - the health and wellbeing of its employees is a very high priority. The Company has policies and a code of conduct that aims to cover a wide range of issues including:
 - (i) Provision of a safe and hygienic working environment and taking steps to prevent accidents and injuries;
 - (ii) Ensuring pay levels are in excess of National Minimum Wage and National Living Wage regulations and consistent with market rate
 - (iii) Ensuring working hours comply with national laws and benchmark industry standards, whichever affords greater protection;
 - (iv) Ensuring there is no discrimination in hiring, wages, access to training, promotion, termination or retirement based on race, national origin, religion, age, disability, gender, marital status, sexual orientation or union membership; and
 - (v) Prohibiting and not tolerating actual, or the threat of, physical, verbal, sexual or other harassment or abuse or other forms of intimidation.

Suppliers, customers and others

In the Strategic report, within the Section 172 (1) Statement on page 4, the Directors have summarised how they have engaged with suppliers, customers and others in a business relationship.

MACARTHYS LABORATORIES LIMITED

**Directors' Report
for the year ended 31 December 2022**

Streamlined energy and carbon reporting

In accordance with the Streamlined Energy and Carbon Reporting requirements, the Company discloses the following energy and carbon metrics for the year:

	2022 Energy Data (kWh '000s)	2021 Energy Data (kWh '000s)	2022 Carbon Emissions (Tonnes of CO2e)	2021 Carbon Emissions (Tonnes of CO2e)
Scope 1 – Direct emissions				
Combustion of natural gas	4,632	4,542	1,060	992
Scope 2 – Indirect emissions				
Purchase of grid electricity	5,762	5,748	962	1,029
Scope 3 – Other indirect emissions				
Business travel mileage	38	30	5	7
Total	10,432	10,320	2,027	2,028

The Company has followed the 2020 HM Government Environmental Reporting Guidelines and has used the 2022 UK Government Conversion Factors for Company Reporting in preparing the above table.

The annual emissions in relation to the Company's activities can be expressed as a ratio to turnover as 15.88 tonnes CO2e per £1.0m revenue (2021: 17.19).

Employee engagement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through formal and informal meetings and an internal company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. We encourage the future interest and involvement of our people in the Company's future through reward schemes that are linked to business and individual performance.

Efforts are made to provide as much suitable employment as possible for disabled people. Depending on their skills and abilities, employees have the same opportunities for training, career development and promotion as other employees. Wherever possible this includes the retraining and retention of staff who have become disabled during their employment.

Going concern

To support the directors' assessment of the Company as a going concern, the Company undertakes regular forecasting of financial performance and cash flows. The approach to forecasting considers sensitivities around long term trading assumptions and the availability of funding and continued support from fellow Group entities.

The directors have considered the financial position of the company at 31 December 2022, including the net current assets of £24.4m and net assets of £55.0m (2021: net current assets £33.3 and net assets of £66.3m) and the projected cash flows and financial performance of the company for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the company's operations. Therefore, the directors consider, after making appropriate enquiries, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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**Directors' Report
for the year ended 31 December 2022**

Directors' indemnities

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the financial year and up to the date of approval of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Statement as to disclosure of information to auditors

The directors confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

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

On behalf of the board:

Bruno Barcelos

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B De Ultra De Sousa Barcelos

Director

14/9/2023

Independent auditor's report to the members of Macarthy's Laboratories Limited

Opinion

We have audited the financial statements of Macarthy's Laboratories Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine and the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we

Independent auditor's report to the members of Macarthy's Laboratories Limited

are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company. We concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, as follows: the Companies Act 2006; Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; United Kingdom Corporation Tax legislation; and employment law.

Independent auditor's report to the members of Macarthy's Laboratories Limited

- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance matters into whether there were any risks of fraud arising from the company's day to day operations and whether there were any instances of non-compliance or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the company's financial statements to material misstatement, including incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and through manipulation of accounting estimates. Audit procedures performed included:
 - Identifying and assessing the design and implementation of controls that management has in place to prevent and detect fraud;
 - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - Challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration by the engagement partner of the engagement team's:
 - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - Knowledge of the industry in which the company operates; and
 - Understanding of the legal and regulatory requirements specific to the company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

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

Grant Thornton UK LLP

Andrew Hodgekins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Chelmsford
14/9/2023

MACARTHYS LABORATORIES LIMITED

Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	127,596	117,992
Cost of sales		(84,382)	(78,800)
Gross profit		43,214	39,192
Distribution costs		(4,937)	(4,626)
Administrative expenses		(16,353)	(15,546)
Exceptional items	6	(175)	(996)
Operating profit	7	21,749	18,024
Interest receivable and similar income	8	29	1,119
Interest payable and similar expenses		(111)	(95)
Profit before taxation		21,667	19,048
Tax on profit	9	(91)	(2,471)
Profit for the financial year		21,576	16,577
Total comprehensive income for the year		21,576	16,577

All operations were continuing during both financial years.

The notes of pages 17 to 31 form an integral part of these financial statements.

MACARTHYS LABORATORIES LIMITED
(REGISTERED NUMBER: 00620024)

Balance Sheet
As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	10	10,803	11,444
Tangible assets	11	22,395	24,650
Investments	12	-	-
		<u>33,198</u>	<u>36,094</u>
Current assets			
Stocks	13	20,442	24,791
Debtors	14	34,069	32,944
Cash at bank and in hand		10,269	6,740
		<u>64,780</u>	<u>64,475</u>
Creditors			
Amounts falling due within one year	15	(40,340)	(31,159)
		<u>24,440</u>	<u>33,316</u>
Net current assets			
		<u>57,638</u>	<u>69,410</u>
Total assets less current liabilities			
Provisions for liabilities	17	(2,659)	(3,120)
		<u>54,979</u>	<u>66,290</u>
Net assets			
Capital and reserves			
Called up share capital	18	3,501	3,501
Share premium account		7,816	7,816
Profit and loss account		43,662	54,973
		<u>54,979</u>	<u>66,290</u>
Total shareholders' funds			

The notes of pages 17 to 31 form an integral part of these financial statements.

The financial statements on pages 14 to 31 were approved by the Board of Directors and were signed on its behalf by:

Bruno Barcelos

B De Ultra De Sousa Barcelos

Director

14/9/2023

MACARTHYS LABORATORIES LIMITED

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2021	3,501	7,816	175,396	186,713
Changes in equity				
Profit for the financial year	-	-	16,577	16,577
Total comprehensive income	-	-	16,577	16,577
Dividends paid	-	-	(137,000)	(137,000)
Balance at 31 December 2021	3,501	7,816	54,973	66,290
Changes in equity				
Profit for the financial year	-	-	21,576	21,576
Total comprehensive income	-	-	21,576	21,576
Dividends paid	-	-	(32,887)	(32,887)
Balance at 31 December 2022	3,501	7,816	43,662	54,979

The notes on pages 17 to 31 form an integral part of these financial statements.

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements for the year ended 31 December 2022

1. Statutory information

Macarthy Laboratories Limited is a private company, limited by shares and incorporated in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

The principal activity of the Company is the manufacture, sale and license of pharmaceutical products to hospitals, retail pharmacies and wholesalers in the UK and overseas. The Company trades as "Martindale Pharma".

2. Accounting policies

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared on a going concern basis and under the historical cost convention, in accordance with the Companies Act 2006 as applicable to companies using FRS 102 and applicable accounting standards in the United Kingdom.

The financial statements are prepared in thousands of sterling, unless otherwise stated, which is the functional currency of the Company.

The principal accounting policies applied in the preparation of these financial statements are set out below and have been applied consistently to all years presented unless stated otherwise.

Consolidated financial statements

The Company is a wholly owned subsidiary of Orpheia Limited and its ultimate parent, Financière Verdi III. It is included in the consolidated financial statements of Financière Verdi III, which are publicly available at the ultimate parent's registered office address. The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Financière Verdi III. The address of the ultimate parent undertaking's registered office is 194, Bureaux de la Colline, 92213 Saint-Cloud, France.

Going concern

To support the directors' assessment of the Company as a going concern, the Company undertakes regular forecasting of financial performance and cash flows. The approach to forecasting considers sensitivities around long term trading assumptions and the availability of funding and continued support from fellow Group entities.

The directors have considered the financial position of the company at 31 December 2022, including the net current assets of £24.4m and net assets of £55.0m (2021: net current assets £33.3m and net assets of £66.3m) and the projected cash flows and financial performance of the company for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the company's operations. Therefore, the directors consider, after making appropriate enquiries, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and republic of Ireland':

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements for the year ended 31 December 2022

- from preparing a statement of cash flows, on the basis that the Company's results are included in the Group's consolidated statement of cash flows; FRS 102 p1.12(b) and
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures, FRS 102 p1.12(c).
- Section 33 'Related Party Disclosures': Compensation for key management personnel and disclosing transactions with fellow group undertakings under paragraph 33.1A of FRS 102.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, unless settlement has been covered by a forward exchange contract, in which case the contract rate is used.

Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date or at a rate at which they are covered by matching forward exchange contracts. Gains and losses on translation are included in the Statement of Comprehensive Income.

Turnover

Turnover represents cash and credit sales net of value added tax, trade discounts and rebates and is recognised at the point of despatch of goods to the customer. Rebates are determined on the basis of a mixture of known sales, best estimates in respect of sales out from customers, historic experience and judgement.

Invoiced but un-despatched goods to customers at the year-end are accounted for as deferred income, whereas goods despatched but un-invoiced are accounted for as accrued income.

Cost of sales

Cost of sales represent the cost of sold pharmaceutical products, including purchases of raw materials, third party stocks, direct manufacturing labour and apportioned overheads relating to the manufacturing process.

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the Company's management consider should be disclosed separately to enable a full understanding of the Company's results.

Interest receivable and similar income

Interest is recognised as interest accrues using the effective interest method.

Interest payable and similar expenses

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment.

Investment income

Dividends receivable are recognised when the right to receive payment is established.

Pension costs and other post-retirement benefits

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to profit or loss in the period to which they relate.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. The aggregate benefit of the lease incentives is recognised as a reduction to the expense over the lease term on a straight line basis.

MACARTHYS LABORATORIES LIMITED

**Notes to the Financial Statements
for the year ended 31 December 2022**

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using a straight-line method, to allocate the depreciable amount of the amounts to their residual value over their estimated useful lives as follows:

- | | |
|-------------------|---|
| Licences | - over the period of exclusivity, to a maximum of 15 years |
| Development costs | - over the period over which the company is expected to benefit, to a maximum of 15 years |

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changes, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the cost attributable to bringing the assets to its working condition for its intended use. Depreciation is provided so as to write off the cost or valuation, less estimated residual value of tangible fixed assets, over their estimated useful lives. The principal rates used are as follows:

- | | |
|------------------------------|--|
| Short leasehold improvements | - Period of the lease or an appropriate shorter period |
| Assets under construction | - Not depreciated until available for use |

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements for the year ended 31 December 2022

Plant and machinery	- 10-25% straight line
Fixtures, fittings and equipment	- 10-20% straight line
Computer equipment	- 20-33% straight line

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment and at least annually.

Stocks

Stocks are valued at the lower of standard cost and net realisable value. The cost of work in progress and finished goods includes an appropriate proportion of attributable overheads. Provision is made for obsolete, slow moving, short dated or defective items where appropriate.

Financial instruments

The Company has applied the provisions of both Section 11 and Section 12 of Financial Reporting Standard 102 in accounting for its financial instruments. Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present values of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income/Loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all of the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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Notes to the Financial Statements for the year ended 31 December 2022

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Provisions

A provision is recognised as a liability when the Company has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. The amount provided for is management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, discounted based on the expected timing of cash flows.

The Company recognises dilapidations provisions when a property lease includes a legal or constructive obligation to reinstate any alterations or to make good dilapidations at the end of the lease, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Key sources of estimation uncertainty and judgements

Preparation of the financial statements requires management to make significant judgements and estimates in determining the carrying amounts of certain assets and liabilities. Management makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The management's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The judgement and estimates which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below;

Impairment indicators

The Company's management use their judgement, expertise and market knowledge to assess potential indicators of impairment to the net book value of the fixed assets of the Company. Where an indication of impairment is identified, the assessment of recoverable value requires an estimation of the future cash flows relating to the asset and also the use of an appropriate discount rate to calculate the net present value of those cash flows. No impairment indicators were identified.

Provisioning for unrecoverable debt

Provision is made for unrecoverable amounts due from trade debtors. This requires management's best estimate of the cash flows receivable in connection to the debt. In addition, the timing of the cash flows and the discount rates used to establish net present value of the assets require management's judgement. A general provision for unrecoverable amounts due from trade debtors has been offset against trade debtors in Note 14.

Valuation of stock

Stock is valued on a standard cost basis and includes elements of direct labour and overhead cost absorption. This involves an assessment by management as to the level of costs to be absorbed per item, which is based on the attributable costs of purchase and production, where relevant.

The realisable value of stock is reviewed regularly by management for potential indicators of impairment. These include, but are not limited to, falling market demand for a product line, or short dated, obsolete or defective stock. Where impairment is identified, a provision is established so that the carrying value of stock is reduced to

MACARTHYS LABORATORIES LIMITED**Notes to the Financial Statements
for the year ended 31 December 2022**

the expected net realisable value. This assessment requires management's best estimate of future sales demand which will be based upon historical expectations, the current sales order book and future forecasts, which can be subject to changes in market conditions, for example due to changes in customer requirements, the availability of similar products and competitor activity. A provision to recognise stock at net realisable value has been disclosed in Note 13.

3. Turnover

The turnover and profit before taxation are attributable to the principal activity of the Company. The Company operates a single segment which is the manufacturing and sale of pharmaceutical and controlled drugs.

An analysis of turnover by geographical market is given as below:

	2022	<i>2021</i>
	£'000	<i>£'000</i>
United Kingdom	102,245	<i>98,073</i>
Europe	8,369	<i>4,212</i>
Rest of the World	16,982	<i>15,707</i>
	<u>127,596</u>	<i><u>117,992</u></i>

4. Employees and directors

	2022	<i>2021</i>
	£'000	<i>£'000</i>
Wages and salaries	15,764	<i>16,035</i>
Social security costs	1,629	<i>1,668</i>
Other pension costs	656	<i>707</i>
	<u>18,049</u>	<i><u>18,410</u></i>

The Company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the Company. Contributions totalling £134,000 (2021: £244,000) were payable to the fund at the year end and are included within creditors.

The monthly average number of full-time equivalent employees during the year was as follows:

	2022	<i>2021</i>
	No.	<i>No.</i>
Manufacturing and distribution	374	<i>420</i>
Administration	19	<i>15</i>
Sales and marketing	5	<i>1</i>
	<u>398</u>	<i><u>436</u></i>

MACARTHYS LABORATORIES LIMITED

**Notes to the Financial Statements
for the year ended 31 December 2022**

5. Directors' emoluments

	2022	2021
	£'000	£'000
Remuneration	163	203
Pension contributions to money purchase schemes	7	7
Social security costs	20	25
	190	235
	190	235

The number of directors to whom retirement benefits were accruing under money purchase schemes was 1 (2021: 1).

Aggregate emoluments paid to the highest paid director during the year was £190,000 (2021: £235,000). Pension contributions totalling £7,000 (2021: £7,000) were paid to the highest paid director.

6. Exceptional items

	2022	2021
	£'000	£'000
Closure of production facility	-	37
Brexit-related one-off costs	17	31
Restructuring costs	158	928
	175	996
	175	996

A strategic review was undertaken during 2020 in advance of the expiry of the property lease of a small production facility of the Company. A number of options were considered but the non-strategic nature of the product lines being manufactured at the site led the Board to decide not to renew the lease. This decision led to costs being incurred in the prior year including amounts for staff redundancies, lease dilapidations, and impairment charges for both inventory and fixed assets.

Brexit-related one-off costs were in respect of additional cost due to changes in the regulatory environment as a result of Brexit.

Restructuring costs consisted of redundancy costs, consultancy and legal fees as a result of changes in operational structure of the business.

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022**7. Operating profit**

The profit is stated after charging/(crediting):

	2022 £'000	2021 £'000
Amortisation of intangible assets	1,185	1,190
Impairment of intangible assets	-	175
Loss/(profit) on disposal of intangible assets	518	(72)
Depreciation of owned tangible assets	4,797	4,097
Loss on disposal of tangible assets	175	194
Auditor remuneration – audit fees	62	88
Foreign exchange (gains)/losses	(227)	(135)
Provision/(reversal) for stock	1,053	847
<i>Operating lease rentals:</i>		
- Land and buildings	2,045	1,950
- Plant and machinery	655	652
- Car leases	21	5
	<u>21</u>	<u>5</u>

8. Interest receivable and similar income

	2022 £'000	2021 £'000
Interest from group companies	-	1,119
Interest on Corporation tax debtor	29	-
	<u>29</u>	<u>1,119</u>

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022

9. Tax on profit

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2022 £'000	2021 £'000
<i>Current tax:</i>		
UK corporation tax on profit for the year	1,878	2,281
Adjustment in respect of prior years	(1,604)	(324)
Total current tax	<u>274</u>	<u>1,957</u>
Deferred tax – origination and reversal of timing differences	(183)	514
Total tax on profit	<u><u>91</u></u>	<u><u>2,471</u></u>

Reconciliation of total tax charge in profit and loss

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £'000	2021 £'000
Profit before taxation	<u>21,667</u>	<u>19,048</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	4,117	3,619
<i>Effects of:</i>		
Expenses not deductible for tax purposes	297	(44)
Group relief received for nil payment	(2,557)	(1,291)
Adjustment in respect of prior years	(1,604)	(324)
Other timing differences	(162)	511
Total tax charge	<u><u>91</u></u>	<u><u>2,471</u></u>

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes were substantively enacted at the balance sheet date and therefore an adjustment has been made to deferred taxation balances to account for this change.

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022

10. Intangible assets

	Licences £'000	Develop- ment costs £'000	Assets in progress £'000	Total £'000
Cost				
At 1 January 2022	14,701	134	2,166	17,001
Additions	81	-	981	1,062
Transfers	567	-	(567)	-
Disposals	-	-	(518)	(518)
At 31 December 2022	15,349	134	2,062	17,545
Accumulated amortisation				
At 1 January 2022	5,524	33	-	5,557
Charge for the year	1,176	9	-	1,185
At 31 December 2022	6,700	42	-	6,742
Net book value				
At 31 December 2022	8,649	92	2,062	10,803
<i>At 31 December 2021</i>	<i>9,177</i>	<i>101</i>	<i>2,166</i>	<i>11,444</i>

Amortisation on intangible assets has been charged to administrative expenses.

Included within the licences category above is a material amount related to licences for the Espranor product brand with a net book value of £3.5m at the balance sheet date. This asset is expected to be fully amortised by the end of 2031.

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Notes to the Financial Statements
for the year ended 31 December 2022

11. Tangible fixed assets

	Short leasehold improvements £'000	Assets under construction £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2022	18,403	2,471	25,360	6,546	7,688	60,468
Additions	-	2,717	-	-	-	2,717
Disposals	-	(175)	-	-	-	(175)
Transfers	307	(1,995)	50	680	958	-
At 31 December 2022	18,710	3,018	25,410	7,226	8,646	63,010
Accumulated depreciation						
At 1 January 2022	11,310	-	14,291	3,463	6,754	35,818
Charge	1,007	-	1,908	1,110	772	4,797
At 31 December 2022	12,317	-	16,199	4,573	7,526	40,615
Net book value						
At 31 December 2022	6,393	3,018	9,211	2,653	1,120	22,395
<i>At 31 December 2021</i>	<i>7,093</i>	<i>2,471</i>	<i>11,069</i>	<i>3,083</i>	<i>934</i>	<i>24,650</i>

12. Investments

	Shares in group undertakings £'000
Cost	
At 1 January 2022 and 31 December 2022	<u>4,647</u>
Provision for impairment	
At 1 January 2022 and 31 December 2022	<u>4,647</u>
Net book value	
At 31 December 2022	<u>-</u>
<i>At 31 December 2021</i>	<u>-</u>

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022

The company's investments in the share capital of group undertakings at the balance sheet date include the following:

Entity	Registered office	Nature of business	Class of shares	Shareholding (%)
Aurum Pharmaceuticals Limited	Bampton Road, Harold Hill, Romford, Essex RM3 8UG	Dormant	Ordinary £1 shares	100.0%
Martindale Pharma International FZE	Office no. LB181405, Jafza, Dubai, UAE	Sale of pharmaceutical products	Ordinary AED 1,000 shares	100.0%
Martindale Pharmaceuticals Limited	Bampton Road, Harold Hill, Romford, Essex RM3 8UG	Dormant	Ordinary £1 shares	100.0%
Viridian Pharma Limited	Bampton Road, Harold Hill, Romford, Essex RM3 8UG	Dormant	Ordinary £1 shares	100.0%

13. Stocks

	2022 £'000	2021 £'000
Raw materials	4,372	3,776
Work-in-progress	418	384
Finished goods	15,652	20,631
	<u>20,442</u>	<u>24,791</u>

Stocks are stated after a provision of £2,668,000 (2021: £1,945,000).

14. Debtors

	2022 £'000	2021 £'000
Trade debtors	20,130	15,653
Amounts owed by group undertakings	8,368	14,511
Corporation tax	1,521	598
Other debtors	3,031	948
Prepayments and accrued income	1,019	1,234
	<u>34,069</u>	<u>32,944</u>

Trade debtors are stated after a provision of £240,000 (2021: £102,000). Amounts owed by group undertakings are unsecured, non-interest bearing and receivable on demand.

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including: the credit rating of the receivable, the ageing profile of receivables and historical experience.

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022

15. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	7,645	3,425
Amounts owed to group undertakings	19,110	15,749
VAT	1,762	748
Other taxation and social security	429	687
Other creditors	526	165
Accruals and deferred income	10,868	10,385
	<u>40,340</u>	<u>31,159</u>

Amounts owed to group undertakings are not secured, repayable on demand and do not accrue interest.

16. Lease commitments

Minimum lease payments under non-cancellable operating leases fall due as follows:

	Land and buildings 2022 £'000	Other 2022 £'000	Land and buildings 2021 £'000	Other 2021 £'000
Within one year	1,710	480	2,014	501
Between one and five years	6,817	202	6,231	212
In more than five years	9,358	-	10,195	-
	<u>17,885</u>	<u>682</u>	<u>18,440</u>	<u>713</u>

17. Provisions for liabilities

	2022 £'000	2021 £'000
Deferred tax	1,163	1,346
Dilapidations	1,496	1,774
	<u>2,659</u>	<u>3,120</u>

MACARTHYS LABORATORIES LIMITED

Notes to the Financial Statements
for the year ended 31 December 2022

	Deferred tax £'000	Dilapidations £'000
Balance at 1 January 2022	1,346	1,774
Unwinding of discount	-	110
Cash flows	-	(315)
Statement of comprehensive income	(183)	(73)
Balance as at 31 December 2022	<u>1,163</u>	<u>1,496</u>

Deferred tax

The provision for deferred tax relates to accelerated capital allowances.

Dilapidations

The provision for dilapidations relates to anticipated costs of restoring the leasehold properties to their original condition at the end of the present leases. The provision will be utilised at the end of the leases if they are not renewed, currently scheduled to be £1.2m in 2030 and £0.3m in 2038 (2021: £0.5m in 2023, £1.0 in 2030 and £0.3m in 2038).

18. Called up share capital

Allotted, issued and fully paid:

Number	Class	Nominal value	2022 £'000	2021 £'000
3,501,000 (2021: 3,501,000)	Ordinary	£1.00	<u>3,501</u>	<u>3,501</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

On 20th May 2022, the Company declared an interim dividend of £23.5m to its parent company Orpheo Limited which was settled with £5.0m of cash and offsetting £18.5m against amounts receivable to the Company from Orpheo Limited.

On 7th September 2022, the Company declared an interim dividend of £9.4m to its parent company Orpheo Limited which was settled with £5.0m of cash and offsetting £4.4m against amounts receivable to the Company from Orpheo Limited.

MACARTHYS LABORATORIES LIMITED**Notes to the Financial Statements
for the year ended 31 December 2022****19. Contingent liabilities**

The Company is party to a group loan facility in which it is a guarantor of borrowings of parent undertaking Orphea Limited for an amount of £245.0 million (2021: £245.0 million), and of other group entities for an amount of €354.0 million (2021: €354.0 million). This loan facility is secured by way of a floating charge over the assets of the Company and is due to expire in 2028.

At the 31 December 2022 the Company had the following additional contingent liabilities:

- (i) Guarantee for duty deferment in favour of HM Customs and Excise for £300,000 (2021: £300,000) with recourse.
- (ii) Guarantees with recourse in favour of various commercial counterparties, principally in the Middle East region, totalling £117,000 (2021: £303,000).

20. Capital commitments

	2022 £'000	2021 £'000
Fixed asset purchases contracted but not provided for in the financial statements	<u>458</u>	<u>504</u>

21. Related party transactions

The Company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

There are no other related party transactions that require disclosure in these financial statements.

22. Controlling parties

The immediate parent company is Orphea Limited.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Financière Verdi III, a company incorporated in France. Copies of the consolidated financial statements of Financière Verdi III can be obtained from 194 Bureaux de la Colline, 92213 Saint-Cloud, France.

23. Post balance sheet events

During the year the ultimate parent company, Financière Verdi III, undertook a strategic review of the portfolio of pharmaceutical products supplied by its UK entities with the goal of consolidating the focus of each UK entity to a specific specialty product area. From 1 January 2023 the sale of certain pharmaceutical products were transferred to it from fellow UK group entity Ethypharm UK Limited.

On 30 August 2023, a restructuring exercise of the UK subsidiaries of the Group took place, whereby direct ownership of Aurum Pharmaceutical Limited and Viridian Pharma Limited, both inactive companies, was transferred from the Company to its immediate parent entity Orphea Limited at par value for a total of £1,100. There was no change in ultimate control to any entity.