

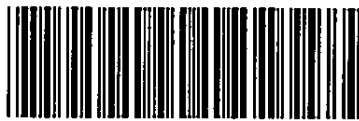
# **Ipsen Limited**

## **Directors' report and financial statements**

**31 December 2012**

**Registered number 06751069**

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## Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

### Principal activities

Ipsen Limited markets and distributes pharmaceutical products in the UK

### Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements and are discussed in the business review below. The directors do not recommend the payment of a dividend (2011 £nil)

### Business review

#### Financial overview

The Company markets a range of pharmaceutical products to external customers. The Company has had satisfactory growth in a highly competitive market place.

#### Financial performance

Financial performance for the year was as follows

|                   | 2012<br>£000 | 2011<br>£000 |
|-------------------|--------------|--------------|
| Revenue           | 46,018       | 40,513       |
| Gross profit      | 17,718       | 14,188       |
| Profit before tax | 2,401        | 1,571        |

### Strategy

The Company's strategy is to continue to increase sales and to expand its product range in the UK domestic market.

#### Revenue and gross profit

The Company's revenue has grown in the year due to increased focus on key products. The level of gross profit in the year has benefited from the impact of product mix and favourable exchange rates.

#### Summary of key performance indicators

The directors have monitored progress of the Company's overall strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators.

|                         | 2012 | 2011 | Method of calculation                                                               |
|-------------------------|------|------|-------------------------------------------------------------------------------------|
| Gross profit margin (%) | 39   | 35   | Gross profit margin is the ratio of gross profit to sales expressed as a percentage |
| Headcount number        | 78   | 72   | Average number of employees in the year                                             |

## **Directors' report (*continued*)**

### ***Future outlook***

The external commercial environment is expected to remain competitive in 2013 and the UK government is expected to continue to restrict pharmaceutical pricing

The directors believe that the Company's performance will continue at a satisfactory level

### ***Principal risks and uncertainties***

The directors have reviewed the Company's principal risks and uncertainties. These are discussed in notes 25 and 26 to the financial statements. The Company carries on business in a changing environment which poses significant risks for the Company which are outside its control

### ***Going concern***

The Company's business activities, together with the factors likely to affect its future development and position, are set out above and the Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Ipsen SA group's centralised treasury management arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the Company's parent company to their enquiries, have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of the parent company, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

### **Directors**

The directors who held office during the year were as follows

J C Davis  
C De La Tour  
S T Hill  
O Jochem  
A Palliere-Caline (appointed 14 September 2012)

### **Research and development**

The Company incurs costs for post market authorisation trials of its products. The directors regard investment in the support and development of its product portfolio as integral to the continuing success of the business

### **Payment of suppliers**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 31 December 2012 were equivalent to 65 (2011: 118) days' purchases, based on the average daily amount invoiced by suppliers during the year. However, this calculation is affected by the timing of invoicing for certain services

**Directors' report** (*continued*)

**Political and charitable contributions**

The Company made no political contributions during the year. Donations to UK charities amounted to £nil (2011 £nil)

**Auditor**

During the year Constantin was appointed as auditor. The Company is not obliged to reappoint its auditor annually and Constantin will therefore continue in office.

By order of the board

J C Davis  
Secretary



Date 7 February 2013

Registered office  
190 Bath Road  
Slough  
Berkshire  
SL1 3XE

Company registration number 06751069

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"). 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 the affairs and profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

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

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

In so far as each of the directors 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 to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website and accordingly the auditors accept no responsibility for the information published there. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Ipsen Limited**

We have audited the financial statements of Ipsen Limited for the year ended 31 December 2012 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 2 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records or 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.



Peter Smith FCA (Senior Statutory Auditor)  
for and on behalf of Constantín  
Chartered Accountants and Statutory Auditor

London  
United Kingdom

Date 7 February 2013

**Statement of financial position**  
*at 31 December 2012*

|                                                     | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|-----------------------------------------------------|-------------|----------------------------|----------------------------|
| <b>Non-current assets</b>                           |             |                            |                            |
| Property, plant and equipment                       | 10          | 74                         | 97                         |
| Intangible assets                                   | 11          | 12                         | 15                         |
| Deferred tax assets                                 | 12          | 87                         | 12                         |
|                                                     |             | <hr/>                      | <hr/>                      |
|                                                     |             | 173                        | 124                        |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Current assets</b>                               |             |                            |                            |
| Inventories                                         | 13          | 3,594                      | 4,639                      |
| Trade and other receivables                         | 14          | 13,452                     | 18,525                     |
| Tax refundable                                      |             | 100                        | 322                        |
| Cash and cash equivalents                           | 15          | 1,586                      | 1,934                      |
|                                                     |             | <hr/>                      | <hr/>                      |
|                                                     |             | 18,732                     | 25,420                     |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Total assets</b>                                 |             | <b>18,905</b>              | <b>25,544</b>              |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Equity attributable to owners of the Company</b> |             |                            |                            |
| Share capital                                       | 19          | 1,000                      | 1,000                      |
| Retained earnings                                   |             | 4,979                      | 2,924                      |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Total equity</b>                                 |             | <b>5,979</b>               | <b>3,924</b>               |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Current liabilities</b>                          |             |                            |                            |
| Trade and other payables                            | 17          | 9,961                      | 16,484                     |
| Tax payable                                         |             | 281                        | -                          |
| Borrowings                                          | 16          | 2,671                      | 5,136                      |
| Provision                                           |             | 13                         | -                          |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Total liabilities</b>                            |             | <b>12,926</b>              | <b>21,620</b>              |
|                                                     |             | <hr/>                      | <hr/>                      |
| <b>Total equity and liabilities</b>                 |             | <b>18,905</b>              | <b>25,544</b>              |
|                                                     |             | <hr/>                      | <hr/>                      |

These financial statements were approved by the board of directors on 7 February 2013, authorised for issue and signed on their behalf by

  
**J C DAVIS**  
Director

The accompanying notes form an integral part of these financial statements

**Statement of comprehensive income**  
*for the year ended 31 December 2012*

| <b>Continuing operations</b>                                                         | <i>Note</i> | <b>2012<br/>£000</b> | <b>2011<br/>£000</b> |
|--------------------------------------------------------------------------------------|-------------|----------------------|----------------------|
| <b>Revenue</b>                                                                       | <b>4</b>    | <b>46,018</b>        | 40,513               |
| Cost of sales                                                                        |             | <b>(28,300)</b>      | (26,326)             |
| <b>Gross profit</b>                                                                  |             | <b>17,718</b>        | 14,188               |
| Operating expenses                                                                   |             | <b>(15,391)</b>      | (12,663)             |
| <b>Results from operating activities</b>                                             | <b>5</b>    | <b>2,327</b>         | 1,525                |
| Finance income                                                                       | <b>8</b>    | <b>124</b>           | 74                   |
| Finance costs                                                                        | <b>8</b>    | <b>(50)</b>          | (28)                 |
| <b>Net finance income</b>                                                            |             | <b>74</b>            | 46                   |
| <b>Profit before tax</b>                                                             |             | <b>2,401</b>         | 1,571                |
| Tax expense                                                                          | <b>9</b>    | <b>(346)</b>         | (275)                |
| <b>Profit for the financial year and<br/>total comprehensive income for the year</b> |             | <b>2,055</b>         | 1,296                |
| Attributable to<br>Owners of the Company                                             |             | <b>2,055</b>         | 1,296                |

The accompanying notes form an integral part of these financial statements

**Statement of changes in equity**  
*for the year ended 31 December 2012*

|                                                 | <b>Share<br/>capital<br/>£000</b> | <b>Retained<br/>earnings<br/>£000</b> | <b>Total<br/>equity<br/>£000</b> |
|-------------------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|
| Balances at 1 January 2011                      | 1,000                             | 1,628                                 | 2,628                            |
| Total comprehensive income for the period       | -                                 | 1,296                                 | 1,296                            |
|                                                 | <hr/>                             | <hr/>                                 | <hr/>                            |
| Balances at 31 December 2011 and 1 January 2012 | 1,000                             | 2,924                                 | 3,924                            |
| Total comprehensive income for the period       | -                                 | 2,055                                 | 2,055                            |
|                                                 | <hr/>                             | <hr/>                                 | <hr/>                            |
| <b>Balance at 31 December 2012</b>              | <b>1,000</b>                      | <b>4,979</b>                          | <b>5,979</b>                     |
|                                                 | <hr/> <hr/>                       | <hr/> <hr/>                           | <hr/> <hr/>                      |

The accompanying notes form an integral part of these financial statements

**Statement of cash flows**  
*for the year ended 31 December 2012*

|                                                        | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|--------------------------------------------------------|-------------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>            |             |                            |                            |
| Profit for the year                                    |             | <b>2055</b>                | 1,296                      |
| <i>Adjustments for</i>                                 |             |                            |                            |
| Depreciation, amortisation and impairment              | 10,11,12    | <b>132</b>                 | (595)                      |
| Finance income                                         | 8           | <b>(124)</b>               | (74)                       |
| Finance expense                                        | 8           | <b>50</b>                  | 28                         |
| Loss/(profit) on sale of property, plant and equipment |             | <b>-</b>                   | (3)                        |
| Taxation                                               | 9           | <b>346</b>                 | 275                        |
|                                                        |             | <hr/>                      | <hr/>                      |
|                                                        |             | <b>2,459</b>               | 927                        |
| <i>Changes in working capital</i>                      |             |                            |                            |
| Change in trade and other receivables                  | 14          | <b>(261)</b>               | 308                        |
| Change in inventories                                  | 13          | <b>976</b>                 | (2,264)                    |
| Change in trade and other payables                     | 17          | <b>(6,518)</b>             | 4,132                      |
| Change in provisions and employee benefits             |             | <b>13</b>                  | -                          |
|                                                        |             | <hr/>                      | <hr/>                      |
| Cash (absorbed by)/generated from operations           |             | <b>(3,331)</b>             | 3,103                      |
| Tax repaid                                             |             | <b>82</b>                  | 38                         |
|                                                        |             | <hr/>                      | <hr/>                      |
| <i>Net (used in)/cash from operating activities</i>    |             | <b>(3,249)</b>             | 3,141                      |
|                                                        |             | <hr/>                      | <hr/>                      |
| <b>Cash flows from investing activities</b>            |             |                            |                            |
| Interest received                                      | 8           | <b>106</b>                 | 82                         |
| Purchase of property, plant and equipment              | 10          | <b>(25)</b>                | (72)                       |
| Proceeds from sale of property, plant and equipment    |             | <b>4</b>                   | 8                          |
| Acquisition of intangible assets                       |             | <b>(11)</b>                | -                          |
| Funds repaid by/(lent to) group companies              | 14          | <b>5,347</b>               | (7,034)                    |
|                                                        |             | <hr/>                      | <hr/>                      |
| <i>Net cash from/(used in) investing activities</i>    |             | <b>5,421</b>               | (7,016)                    |
|                                                        |             | <hr/>                      | <hr/>                      |
| <b>Cash flows from financing activities</b>            |             |                            |                            |
| Interest paid                                          |             | <b>(55)</b>                | (18)                       |
| Funds (repaid to)/borrowed from group companies        | 16          | <b>(2,465)</b>             | 5,136                      |
|                                                        |             | <hr/>                      | <hr/>                      |
| <i>Net cash (used in)/ from financing activities</i>   |             | <b>(2,520)</b>             | 5,118                      |
|                                                        |             | <hr/>                      | <hr/>                      |
| Net (decrease)/increase in cash and cash equivalents   |             | <b>(348)</b>               | 1,243                      |
| Cash and cash equivalents at 1 January                 |             | <b>1,934</b>               | 691                        |
|                                                        |             | <hr/>                      | <hr/>                      |
| <b>Cash and cash equivalents at 31 December</b>        | 15          | <b>1,586</b>               | 1,934                      |
|                                                        |             | <hr/>                      | <hr/>                      |

The accompanying notes from an integral part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1. Reporting entity

Ipsen Limited (the "Company") is a company incorporated in the UK. The address of the Company's registered office is 190 Bath Road, Slough, Berkshire SL1 3XE. The financial statements of the Company as at and for the year ended 31 December 2012 present information about the Company. The Company is primarily involved in the marketing and distribution of pharmaceutical products.

### 2. Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), the Companies Act 2006 that applies to companies reporting under IFRS, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis except where indicated otherwise in note 3.

The financial statements are presented in UK sterling, which is also the Company's functional currency, and rounded to the nearest thousand pounds ("£000"), except where indicated.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

### 3. Principal accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

#### *Foreign currency*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- office equipment                      three to five years
- motor vehicles                        five years

#### *Intangible assets*

Software licences acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Software licences are amortised over a useful life of three years.

## Notes (continued)

### 3. Principal Accounting policies (continued)

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the standard cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### *Impairment*

The carrying amounts of the Company's assets, inventories and deferred tax assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

#### *Calculation of recoverable amount*

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Financial assets*

Under IFRS 7, the Company's loans, trade and other receivables are categorised as "Loans and receivables" as they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The valuation method for this category of financial asset is "amortised cost" using the effective interest method, less any impairment provision. For all current receivables "amortised cost" is effectively cost.

The carrying values of the Company's financial assets are reviewed throughout the year to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised to reduce the asset's carrying value to the estimated recoverable amount. For receivables, this review is based on the latest information available and any financial assets that are substantially past due are also considered for impairment. Any change in the value of financial assets is recognised in the statement of comprehensive income line item "finance costs" or "finance income", as appropriate.

## **Notes** *(continued)*

### **3. Principal Accounting policies** *(continued)*

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits

#### **Financial liabilities**

The Company's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method. For all current payables "amortised cost" is effectively cost.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges, and if applicable, changes in an instrument's fair value are reported in the statement of comprehensive income line item "finance costs" or "finance income", as appropriate.

#### **Employee benefits**

##### *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the comprehensive statement of income as incurred.

#### **Revenue**

Revenue comprises the fair value or the consideration received or receivable for the sale of goods and royalty income receivable in the normal course of business. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

##### *Sales of goods*

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the goods are delivered
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Company, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

##### *Rendering of services*

Service income is recognised when invoiced and relates to the direct costs incurred in providing the service, together with attributable overheads and margin. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the entity, and
- the costs incurred for the transaction and the cost to complete the transaction can be measured reliably

## **Notes** *(continued)*

### **3 Principal Accounting policies** *(continued)*

#### **Royalties**

Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the royalty can be measured reliably

#### **Expenses**

##### **Operating lease payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences relating to investments in subsidiaries are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

#### **Dividends**

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the statement of financial position date

#### **Equity**

Equity comprises the following

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- "Retained earnings" represents retained profits

## Notes (continued)

### Standards in issue but not yet effective

The following accounting standards and interpretations are in issue but have not yet been adopted by the Company

- IFRS 9 Financial Instruments (effective 1 January 2015)\*
- IFRS 11 Joint Arrangements (effective 1 January 2013)\*
- IFRS13 Fair Value Measurement (effective 1 January 2013)\*
- IAS 19 Employee Benefits (revised June 2011) (effective 1 January 2013)\*
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)\*
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)\*
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)\*

\* not yet adopted by the EU

None of the standards listed above is expected to have a significant impact on the values presented in the Company's financial statements

## 4 Revenue

### Revenue analysed by category

|                       | 2012<br>£000  | 2011<br>£000  |
|-----------------------|---------------|---------------|
| Sale of goods         | 45,750        | 40,245        |
| Rendering of services | 268           | 268           |
|                       | <u>46,018</u> | <u>40,513</u> |

### Revenue analysed by geographical area

|                | 2012<br>£000 | 2011<br>£000 |
|----------------|--------------|--------------|
| United Kingdom | 46,018       | 40,513       |

## 5 Expenses

Included in profit are the following

|                                               | 2012<br>£000 | 2011<br>£000 |
|-----------------------------------------------|--------------|--------------|
| Research and development expenses as incurred | 2,204        | 1,405        |
| Net foreign exchange gains                    | (39)         | (88)         |

### Auditor's remuneration:

|                                                                                 | 2012<br>£000 | 2011<br>£000 |
|---------------------------------------------------------------------------------|--------------|--------------|
| Fees payable to the Company's auditor for the audit of the financial statements | 25           | 26           |

The Company has entered into a liability limitation agreement with Constantin, the Company's statutory auditor

**Notes** *(continued)*

**6. Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

|                          | <b>Number of employees</b> |             |
|--------------------------|----------------------------|-------------|
|                          | <b>2012</b>                | <b>2011</b> |
| Selling and distribution | <b>61</b>                  | 60          |
| Development              | <b>17</b>                  | 12          |
|                          | <hr/>                      | <hr/>       |
|                          | <b>78</b>                  | 72          |
|                          | <hr/>                      | <hr/>       |

The aggregate payroll costs of these persons were as follows

|                       | <b>2012</b>  | <b>2011</b> |
|-----------------------|--------------|-------------|
|                       | <b>£000</b>  | <b>£000</b> |
| Wages and salaries    | <b>3,874</b> | 3,625       |
| Social Security costs | <b>545</b>   | 562         |
| Pension costs         | <b>409</b>   | 388         |
| Other costs           | <b>699</b>   | 597         |
|                       | <hr/>        | <hr/>       |
|                       | <b>5,527</b> | 5,172       |
|                       | <hr/>        | <hr/>       |

**7. Directors' remuneration**

|                                                       | <b>2012</b> | <b>2011</b> |
|-------------------------------------------------------|-------------|-------------|
|                                                       | <b>£000</b> | <b>£000</b> |
| Directors' remuneration                               | <b>202</b>  | 189         |
| Company contributions to money purchase pension plans | <b>26</b>   | 14          |
|                                                       | <hr/>       | <hr/>       |

During the year one director (*2011 one*) accrued benefits under a money purchase pension scheme

The total emoluments of the highest paid director was £202,000 (*£2011 £189,000*) and the company made pension contributions of £26,000 (*£2011 £14,000*) on his behalf

**8 Finance income and costs**

|                                                                                    | <b>2012</b> | <b>2011</b> |
|------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                    | <b>£000</b> | <b>£000</b> |
| Interest income from related parties on financial assets carried at amortised cost | <b>83</b>   | 74          |
| Other interest income                                                              | <b>3</b>    | -           |
| Exchange gains                                                                     | <b>38</b>   | -           |
|                                                                                    | <hr/>       | <hr/>       |
| Finance income                                                                     | <b>124</b>  | 74          |
|                                                                                    | <hr/>       | <hr/>       |

**Notes** *(continued)*

**8. Finance income and costs** *(continued)*

|                                                                        | <b>2012</b><br><b>£000</b> | 2011<br>£000 |
|------------------------------------------------------------------------|----------------------------|--------------|
| Interest expense for borrowings from related parties at amortised cost | <b>50</b>                  | 28           |
| Finance costs                                                          | <b>50</b>                  | 28           |

**9. Taxation**

***Recognised in the statement of comprehensive income***

|                                                       | <b>2012</b><br><b>£000</b> | 2011<br>£000 |
|-------------------------------------------------------|----------------------------|--------------|
| <i>Current tax expense</i>                            |                            |              |
| Current year                                          | <b>651</b>                 | 230          |
| Adjustment to charge for prior year                   | <b>(230)</b>               | -            |
|                                                       | <b>421</b>                 | 230          |
| <i>Deferred tax expense</i>                           |                            |              |
| Origination and reversal of temporary differences     | <b>(6)</b>                 | 240          |
| Previously unrecognised temporary difference          | <b>(74)</b>                | (198)        |
| Impact of tax rate change on closing liability        | <b>5</b>                   | 3            |
|                                                       | <b>(75)</b>                | 45           |
| Total tax charge in statement of comprehensive income | <b>346</b>                 | 275          |

***Reconciliation of effective tax rate***

|                                                                        | <b>2012</b><br><b>£000</b> | 2011<br>£000 |
|------------------------------------------------------------------------|----------------------------|--------------|
| Profit before tax                                                      | <b>2,401</b>               | 1,571        |
| Tax using the effective UK corporation tax rate of 24.5% (2011: 26.5%) | <b>588</b>                 | 416          |
| Non-deductible expenses                                                | <b>59</b>                  | 54           |
| Tax exempt revenues                                                    | <b>(2)</b>                 | -            |
| Previously unrecognised temporary difference                           | <b>(74)</b>                | (198)        |
| Reduced tax charge for prior years                                     | <b>(230)</b>               | -            |
| Impact of tax rate change on closing asset                             | <b>5</b>                   | 3            |
| Total tax charge in statement of comprehensive income                  | <b>346</b>                 | 275          |

There was no current or deferred tax charged or credited directly to equity in the year (2011: none)

**Notes** *(continued)*

**10. Property, plant and equipment**

|                                                      | Office<br>equipment<br>£000 | Motor<br>Vehicles<br>£000 | Total<br>£000 |
|------------------------------------------------------|-----------------------------|---------------------------|---------------|
| <b>Cost</b>                                          |                             |                           |               |
| Balance at 1 January 2011                            | 67                          | 69                        | 136           |
| Additions                                            | 72                          | -                         | 72            |
| Disposals                                            | -                           | (43)                      | (43)          |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| Balance at 31 December 2011<br>and at 1 January 2012 | 139                         | 26                        | 165           |
| Additions                                            | 25                          | -                         | 25            |
| Disposals                                            | (3)                         | (26)                      | (29)          |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| Balance at 31 December 2012                          | <b>161</b>                  | -                         | <b>161</b>    |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| <b>Depreciation and impairment</b>                   |                             |                           |               |
| Balance at 1 January 2011                            | 31                          | 48                        | 79            |
| Depreciation charge for the year                     | 17                          | 10                        | 27            |
| Disposals                                            | -                           | (38)                      | (38)          |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| Balance at 31 December 2011<br>and at 1 January 2012 | 48                          | 20                        | 68            |
| Depreciation charge for the year                     | 39                          | 5                         | 44            |
| Disposals                                            | -                           | (25)                      | (25)          |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| Balance at 31 December 2012                          | <b>87</b>                   | -                         | <b>87</b>     |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| <b>Net book value</b>                                |                             |                           |               |
| At 1 January 2011                                    | 36                          | 21                        | 57            |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| At 31 December 2011<br>and at 1 January 2012         | 91                          | 6                         | 97            |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |
| At 31 December 2012                                  | <b>74</b>                   | -                         | <b>74</b>     |
|                                                      | <hr/>                       | <hr/>                     | <hr/>         |

**Depreciation charge**

The depreciation charge is recognised in operating expenses in the statement of comprehensive income

**Notes (continued)**

**11. Intangible assets**

|                                                      | Cost<br>£000 | Amortisation<br>£000 | Net book value<br>£000 |
|------------------------------------------------------|--------------|----------------------|------------------------|
| <b>Software</b>                                      |              |                      |                        |
| Balance at 1 January 2011                            | 34           | (8)                  | 26                     |
| Additions                                            | -            | -                    | -                      |
| Amortisation charge for the year                     | -            | (11)                 | (11)                   |
|                                                      | <hr/>        | <hr/>                | <hr/>                  |
| Balance at 31 December 2011 and<br>at 1 January 2012 | 34           | (19)                 | 15                     |
| Additions                                            | 11           | -                    | 11                     |
| Amortisation charge for the year                     | -            | (14)                 | (14)                   |
|                                                      | <hr/>        | <hr/>                | <hr/>                  |
| Balance at 31 December 2012                          | <b>45</b>    | <b>(33)</b>          | <b>12</b>              |
|                                                      | <hr/>        | <hr/>                | <hr/>                  |

**Amortisation charge**

The amortisation charge is recognised in operating expenses in the statement of comprehensive income

**12 Deferred tax assets**

**Recognised deferred tax assets**

Deferred tax assets are attributable to the following

|                               | <b>Assets</b> |             | <b>Liabilities</b> |             | <b>Net</b>  |             |
|-------------------------------|---------------|-------------|--------------------|-------------|-------------|-------------|
|                               | <b>2012</b>   | <b>2011</b> | <b>2012</b>        | <b>2011</b> | <b>2012</b> | <b>2011</b> |
|                               | <b>£000</b>   | <b>£000</b> | <b>£000</b>        | <b>£000</b> | <b>£000</b> | <b>£000</b> |
| Property, plant and equipment | (12)          | (12)        | -                  | -           | (12)        | (12)        |
| Deferred expenses             | (75)          | -           | -                  | -           | (75)        | -           |
|                               | <hr/>         | <hr/>       | <hr/>              | <hr/>       | <hr/>       | <hr/>       |
| Tax assets                    | (87)          | (12)        | -                  | -           | (87)        | (12)        |
| Net of tax liabilities        | -             | -           | -                  | -           | -           | -           |
|                               | <hr/>         | <hr/>       | <hr/>              | <hr/>       | <hr/>       | <hr/>       |
| Net tax assets                | <b>(87)</b>   | <b>(12)</b> | <b>-</b>           | <b>-</b>    | <b>(87)</b> | <b>(12)</b> |
|                               | <hr/>         | <hr/>       | <hr/>              | <hr/>       | <hr/>       | <hr/>       |

**12. Deferred tax assets (continued)**

**Recognised deferred tax assets (continued)**

*Movement in deferred tax during the year*

|                               | 1 January<br>2012<br>£000 | Recognised<br>in income<br>£000 | 31 December<br>2012<br>£000 |
|-------------------------------|---------------------------|---------------------------------|-----------------------------|
| Property, plant and equipment | (12)                      | -                               | (12)                        |
| Deferred expenses             | -                         | (75)                            | (75)                        |
|                               | <u>(12)</u>               | <u>(75)</u>                     | <u>(87)</u>                 |

*Movement in deferred tax during the prior year*

|                               | 1 January<br>2011<br>£000 | Recognised<br>in income<br>£000 | 31 December<br>2011<br>£000 |
|-------------------------------|---------------------------|---------------------------------|-----------------------------|
| Property, plant and equipment | (14)                      | 2                               | (12)                        |
| Deferred expenses             | (43)                      | 43                              | -                           |
|                               | <u>(57)</u>               | <u>45</u>                       | <u>(12)</u>                 |

**13. Inventories**

|                | 2012<br>£000 | 2011<br>£000 |
|----------------|--------------|--------------|
| Finished goods | <u>3,594</u> | <u>4,639</u> |

The cost of inventories charged to the statement of comprehensive income in the year was £28,223,000 (2011 £26,325,000) During the year a provision of £77,000 was recognised (2011 £8,000) No inventories were written off in the year (2011 nil)

None of the inventories are pledged as securities for liabilities

**14. Trade and other receivables**

|                                          | 2012<br>£000  | 2011<br>£000  |
|------------------------------------------|---------------|---------------|
| Other trade receivables                  | 8,349         | 7,974         |
| Loans to related parties                 | 4,844         | 10,191        |
| Other receivables                        | 175           | -             |
| Pre-payments and accrued income          | 66            | 360           |
| Interest receivable from related parties | 18            | -             |
|                                          | <u>13,452</u> | <u>18,525</u> |
| Current trade and other receivables      | <u>13,452</u> | <u>18,525</u> |

All receivables are short-term and the carrying value of trade receivables is considered a reasonable approximation of fair value

Loans to related parties relate to short term cash lending as part of the cash flow funding for the Ipsen SA group UK companies Loans are perpetual and the interest rate is set at 1 January each year at the current UK base rate plus 1% In 2012 interest was charged at the rate of 1.5% (2011 1.5%)

**Notes** *(continued)*

**14. Trade and other receivables** *(continued)*

All of the trade and other receivables have been reviewed for indicators of impairment. Other trade receivables are shown net of impairment losses amounting to £5,000 (2011: £nil).

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

|                                               | 2012<br>£000 | 2011<br>£000 |
|-----------------------------------------------|--------------|--------------|
| Not more than 3 months                        | 3,658        | 3,836        |
| More than 3 months but not more than 6 months | 12           | 49           |
| More than 6 months but not more than 1 year   | -            | 12           |
| More than 1 year                              | 1            | -            |
|                                               | <u>3,671</u> | <u>3,897</u> |

**15. Cash and cash equivalents**

|                                                                                              | 2012<br>£000 | 2011<br>£000 |
|----------------------------------------------------------------------------------------------|--------------|--------------|
| Cash and cash equivalents per the statement of financial position and statement of cash flow | <u>1,586</u> | <u>1,934</u> |

**16. Borrowings**

|                                                        | 2012<br>£000 | 2011<br>£000 |
|--------------------------------------------------------|--------------|--------------|
| <b>Current liabilities</b>                             |              |              |
| Unsecured loans from related parties at amortised cost | <u>2,671</u> | <u>5,136</u> |

Loans from related parties were in respect of short term cash lending as part of the cash flow funding for the Ipsen SA group. Loans are perpetual and the interest rate on loans for overseas companies is based on the LIBOR three-month rate. The average rate of interest charged in the year was 0.77% (2011: 0.87%).

**17. Trade and other payables**

|                                         | 2012<br>£000 | 2011<br>£000  |
|-----------------------------------------|--------------|---------------|
| Trade payables due to related parties   | 5,549        | 10,741        |
| Other trade payables                    | 1,129        | 913           |
| Non-trade payables and accrued expenses | 3,279        | 4,819         |
| Interest payable to related parties     | 5            | 11            |
|                                         | <u>9,962</u> | <u>16,484</u> |

All trade and other payables are short term and the carrying values are considered to be a reasonable approximation of fair value.

**Notes** *(continued)*

**18. Employee benefits**

***Defined contribution pension plans***

The Company contributes to externally funded defined contribution pension plans. The total expense relating to these plans in the current year was £409,000 (2011 £389,000).

**19 Share capital**

|                                           | <b>Ordinary shares</b>               |             |
|-------------------------------------------|--------------------------------------|-------------|
|                                           | <b>2012</b>                          | <b>2011</b> |
|                                           | <b>Number of shares in thousands</b> |             |
| In issue at 31 December – fully paid      | <b>1,000</b>                         | 1,000       |
|                                           | <hr/>                                | <hr/>       |
|                                           | <b>2012</b>                          | <b>2011</b> |
|                                           | <b>£000</b>                          | <b>£000</b> |
| <i>Authorised</i>                         |                                      |             |
| Ordinary shares of £1 each                | <b>1,000</b>                         | 1,000       |
|                                           | <hr/>                                | <hr/>       |
| <i>Allotted, called up and fully paid</i> |                                      |             |
| Ordinary shares of £1 each                | <b>1,000</b>                         | 1,000       |
|                                           | <hr/>                                | <hr/>       |

**20. Financial assets and liabilities**

***Fair value information***

|                             | <b>2012</b>       |                        | <b>2011</b>       |                        |
|-----------------------------|-------------------|------------------------|-------------------|------------------------|
|                             | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b> |
|                             | <b>£000</b>       | <b>£000</b>            | <b>£000</b>       | <b>£000</b>            |
| <i>Assets</i>               |                   |                        |                   |                        |
| Trade and other receivables | <b>13,386</b>     | <b>13,386</b>          | 18,165            | 18,165                 |
| Cash and cash equivalents   | <b>1,586</b>      | <b>1,586</b>           | 1,934             | 1,934                  |
|                             | <hr/>             | <hr/>                  | <hr/>             | <hr/>                  |
| <i>Liabilities</i>          |                   |                        |                   |                        |
| Borrowings                  | <b>2,671</b>      | <b>2,671</b>           | 5,136             | 5,136                  |
|                             | <hr/>             | <hr/>                  | <hr/>             | <hr/>                  |
| Trade and other payables    | <b>9,962</b>      | <b>9,962</b>           | 16,484            | 16,484                 |
|                             | <hr/>             | <hr/>                  | <hr/>             | <hr/>                  |

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

***Fair value measurement methods***

Measurement methods for financial assets and liabilities accounted for at amortised cost are described below.

The carrying amount of trade and other receivables, cash and cash equivalents, and trade and other payables is considered a reasonable approximation of fair value.

Borrowings fair value has been estimated at amortised cost.

**Notes** *(continued)*

**20. Financial assets and liabilities** *(continued)*

**Financial assets**

|                             | <b>Loans and receivables</b> |             |
|-----------------------------|------------------------------|-------------|
|                             | <b>2012</b>                  | <b>2011</b> |
|                             | <b>£000</b>                  | <b>£000</b> |
| Trade and other receivables | <b>13,386</b>                | 18,165      |
| Cash and cash equivalents   | <b>1,586</b>                 | 1,934       |
|                             | <b>14,972</b>                | 20,099      |

The Company's financial assets are all current and are classified as loans and receivables under IAS 39 and are held at amortised cost

**Financial liabilities**

|                          | <b>Other financial liabilities</b> |             |
|--------------------------|------------------------------------|-------------|
|                          | <b>2012</b>                        | <b>2011</b> |
|                          | <b>£000</b>                        | <b>£000</b> |
| Borrowings               | <b>2,671</b>                       | 5,136       |
| Trade and other payables | <b>9,962</b>                       | 16,484      |
|                          | <b>12,633</b>                      | 21,620      |

The Company's financial liabilities are all current and are classified as other financial liabilities under IAS 39 and are held at amortised cost

**21. Operating leases**

Non-cancellable operating lease rentals are payable as follows

|                                     | <b>2012</b> | <b>2011</b> |
|-------------------------------------|-------------|-------------|
|                                     | <b>£000</b> | <b>£000</b> |
| Expiring between one and five years | <b>249</b>  | 178         |

The Company's principal operating leases are for vehicles

During the year £171,000 (2011 £244,000) was recognised as an expense in the statement of comprehensive income in respect of operating leases

**22 Capital commitments**

At 31 December 2012 there were no capital commitments that required disclosure in the Company's financial statements (2011 £nil)

**23. Contingent assets and liabilities**

At 31 December 2012 there were no contingent assets or liabilities that required disclosure in the Company's financial statements (2011 £nil)

**Notes** *(continued)*

**24. Related parties**

***Parent companies***

In the year the Company purchased pharmaceutical products of £27,254,000 (2011 £28,588,000). In addition it recharged expenses to parent companies of £487,000 (2011 £10,000) and incurred expenses of £72,000 (2011 £52,000) from parent companies.

No interest was charged on loans to parent companies in the year (2011 £4,000) and interest of £50,000 (2011 £25,000) was charged on loans from parent companies.

At the year end the following current amounts were due to parent companies

|                                 | 2012<br>£000   | 2011<br>£000    |
|---------------------------------|----------------|-----------------|
| Amounts due to parent companies |                |                 |
| Borrowings                      | (2,671)        | (5,136)         |
| Trade balances                  | (4,204)        | (7,070)         |
| Interest                        | (5)            | (11)            |
|                                 | <u>(6,880)</u> | <u>(12,217)</u> |

***Other group companies***

During the year the Company provided management and development services of £268,000 (2011 £268,000) to other group companies and incurred other expenses of £2,771,000 (2011 £1,648,000) from other group companies.

In the year interest of £83,000 (2011 £71,000) was charged on loans to other group companies.

At the year end the following current amounts were due from/(to) other group companies

|                                        | 2012<br>£000 | 2011<br>£000  |
|----------------------------------------|--------------|---------------|
| Amounts due from other group companies |              |               |
| Loans                                  | 4,844        | 10,191        |
| Interest                               | 18           | -             |
|                                        | <u>4,862</u> | <u>10,191</u> |
| Amounts due to other group companies   |              |               |
| Trade balances                         | (1,345)      | (3,671)       |

All trading transactions with related parties are on commercial terms and at arms length value.

Details of the compensation of key management personnel is detailed in note 7.

## **Notes** *(continued)*

### **25. Accounting estimates and judgements**

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

All accounting estimates used in preparing the financial statements are consistent with internal budgets and forecasts. Judgements are based on information available at each statement of financial position date. Although these estimates are based on the best information available to management, actual results may ultimately differ from the estimates.

#### ***Revenue***

Revenue from the sales of goods is reduced by estimates for future rebates. These reductions are dependant upon the submission of claims that may be some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebate based on available information and management judgement, and are reviewed regularly.

#### ***Taxation***

The Company estimates tax liabilities for undetermined years. Any differences arising between the final tax liability and the amounts recorded in the financial statements will impact on the tax charge in the year in which the determination is made.

### **26. Principal risks and uncertainties**

The Company carries on business in a changing environment which poses risks for the Company that are outside its control. The key risks and uncertainties affecting the Company relate to its products and financial position. The directors review and agree policies for managing all such risks, which are summarised below. These policies have remained unchanged in the current and prior financial years.

#### ***Product risk***

The Company markets a range of pharmaceutical products. These are all supplied by group companies and so the risk of potential disruption to the supply chain is minimal. However, should a production site become unable to produce a product for a significant period of time this could have a negative impact on the Company's business, its financial situation or its results.

The Company's competitors include in particular, large pharmaceutical groups. Consequently, the Company is at risk from competitors introducing more effective or less expensive products used to treat the same pathologies, or from new innovative products rendering the Company's products obsolete.

The Company sells extensively to the UK National Health Service and is vulnerable to reductions in permissible pricing under the Pharmaceutical Price Regulation Scheme.

### **27. Financial risk management objectives and policies**

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities. The Company's risk management is coordinated at its premises, in close co-operation with the board of directors and with the Ipsen SA group to which it belongs, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

**Notes** *(continued)*

**27. Financial risk management objectives and policies** *(continued)*

**Exchange rate risk**

Some of the Company's purchases are acquired from overseas suppliers and are denominated in euros. Any funding of foreign currency or hedging required is dealt with by the group's treasury function, in conjunction with local management.

Euro denominated financial liabilities, translated into sterling at the closing rate, are as follows:

| <b>Nominal Amounts</b> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|------------------------|----------------------------|----------------------------|
| Financial liabilities  | <b>(2,986)</b>             | <b>(4,157)</b>             |

The following tables illustrate the sensitivity of the net result for the year and equity with regard to the Company's financial assets and liabilities, the euro to UK sterling exchange rate.

The tables assume a +/-2% (2011: 2%) change of the sterling/euro exchange rate for the year ended at 31 December 2012, based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each statement of financial position date.

If sterling had strengthened against the euro by 2% (2011: 2%) respectively, this would have had the following impact:

|                                              | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|----------------------------------------------|----------------------------|----------------------------|
| Net result for the year and impact on equity | <b>56</b>                  | <b>79</b>                  |

If sterling had weakened against the euro by 2% (2011: 2%) respectively, this would have had the following impact:

|                                              | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|----------------------------------------------|----------------------------|----------------------------|
| Net result for the year and impact on equity | <b>(58)</b>                | <b>(82)</b>                |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

**Interest rate risk**

The Company is part of a group pooling arrangement with other group companies whereby excess funds are lent to or deficits borrowed from other group companies. Rates of interest are set with reference to the market rates ruling in the lender's country. At 31 December 2012, the Company is exposed to changes in market interest rates through its borrowing from and lending to group companies, which are subject to the variable interest rates as detailed in notes 14 and 16.

## Notes (continued)

### 27. Financial risk management objectives and policies (continued)

#### Interest rate risk (continued)

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-23% (2011 +/-17%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at each statement of financial position date. All other variables are held constant.

|                                              | 2012 |      | 2011 |      |
|----------------------------------------------|------|------|------|------|
|                                              | +23% | -23% | +17% | -17% |
|                                              | £000 | £000 | £000 | £000 |
| Net result for the year and impact on equity | 7    | (7)  | 18   | (18) |

#### Credit risk analysis

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the statement of financial position date, as detailed in note 20. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's management considers that the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 14 for further information on impairment of financial assets that are past due.

None of the Company's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk with any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### Liquidity risk analysis

The Company manages its liquidity needs by carefully monitoring payments for long-term financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. The Company works in conjunction with the group treasury department to maintain its cash to meet its liquidity requirements.

### 28. Capital management policies and procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting years under review is summarised as follows:

**Notes** *(continued)*

**28. Capital management policies and procedures** *(continued)*

The Company's goal in capital management is to maintain a debt to equity ratio of less than 2.1. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

|                                 | <b>2012</b>    | <b>2011</b> |
|---------------------------------|----------------|-------------|
|                                 | <b>£000</b>    | <b>£000</b> |
| Total equity                    | <b>5,979</b>   | 3,924       |
| Loans to related parties        | <b>(4,844)</b> | (10,191)    |
| Borrowings from related parties | <b>2,676</b>   | 5,136       |
| Net total debt                  | <b>(2,068)</b> | (5,055)     |
| Debt to equity ratio            | <b>(0.4)</b>   | (1.3)       |

**29. Ultimate parent company and parent company of larger group**

The Company's immediate parent company is Sutrepa SAS, which is incorporated in France. The Company's ultimate parent company and controlling party is Beech Tree SA, which is incorporated in Luxembourg.

Beech Tree SA heads the largest group in which the results of the Company are consolidated. The smallest group in which the results of the Company are consolidated is that headed by Ipsen SA, which is incorporated in France. The consolidated financial statements of Ipsen SA are available to the public and may be obtained from 65 quai Georges Gorse, 92100 Boulogne-Billancourt, France.

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