

Company registration number: 00482106

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2019

C P PHARMACEUTICALS
LIMITED



MENZIES
BRIGHTER THINKING

C P PHARMACEUTICALS LIMITED

COMPANY INFORMATION

Directors	N Wynne R Limaye
Company secretary	J P Higgins
Registered number	00482106
Registered office	Ash Road North Wrexham Industrial Estate Wrexham LL13 9UF
Independent auditor	Menzies LLP Chartered Accountants & Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT
Bankers	National Westminster Bank Plc 33 Lord Street Wrexham LL11 1LP

C P PHARMACEUTICALS LIMITED

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C P PHARMACEUTICALS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Principal activity and review of business

The principal activity of the Company is the manufacture and sale of pharmaceuticals. The Statement of Comprehensive income for the year is set out on page 8.

The company has committed to significant capital investment to provide increased capacity in the steriles manufacturing unit, from current capacity of 15m units to an increased level of 42m units. As well as decreased unit costs, this will also provide a competitive edge to attract new contract business. The new equipment has been installed and will be operational by January 2020. Future capital investment will increase our capabilities further.

Late 2019 will see the impact of the latest technology equipment and increased manufacturing volumes, significantly reducing costs per unit and thereby increasing the profitability of the company.

There is a continuing uncertainty with regards to the impact that Brexit may have on the business but also a high confidence that as we provide medicinal product, our industry will be given a high priority as to what is required to ensure a continuous flow of products to patients.

The directors have great confidence in the strong growth prospects of the company.

The key performance indicators of the company are as follows:

Turnover (£'000)	2019 36,979	2018 35,567
Gross Profit Ratio	55.9%	52.8%
Operating Profit Ratio	(13.2%)	(135.9%)
Loss Before Tax (£'000)	(4,398)	(48,529)
Gross Profit/Operating Costs (times)	0.81	0.78
Net Current (Liabilities)/Assets exc debtors due over one year (£'000)	(15,674)	(8,468)
Net Worth (£'000)	15,211	19,767
Total liabilities (£'000)	41,362	34,701
Total Liabilities exc. Pension Deficit (£'000)	40,510	33,592
Insolvency Ratio	36%	56%
Training Days	414	328
Tonnes Carbon Emissions	3,645	4,730
Employee Attrition	8%	6.5%
Creditor Days	62	56

Sales are up 4% at £37m compared to £36m in 2017/18, despite an abnormal frequency of equipment failure that resulted in no Freeze-Dried product being manufactured in the last 4 months of the year.

Following the increased capacity due to the new Combi Line becoming operational in January 2020, the Company expects an immediate upturn in packed output and thereby significant sales increases over the next 3 years.

The Net Worth of the Company has decreased from £20m to £15m (-25%) due to the £5m loss in the period. With the impending completion of Combi Line becoming operational the Directors are confident that the Net Worth will only increase in future years.

The Company continues to provide opportunities to its employees for training and advancement in order to retain its best employees. The attrition ratio is consistent with both previous years and other similar companies in the area.

The company continues to support the environment by proactively promoting both waste recycling and reduction of waste wherever possible and has been successful in maintaining previous year's level of carbon emissions whilst at the same time striving to reduce these levels for the future.

C P PHARMACEUTICALS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties

The company has continued to efficiently manage its resources and maintain strong relationships with its customers and suppliers.

The performance of the company is dependent on the cost effective management of operations. The management team reporting to the directors monitor and regulate the costs of running the business which will lead to reduce the impact of cost increases in various areas of operations. The directors have considered the risks facing the company and continually address these in order to minimise any future impact.

As disclosed in Note 24 to the financial statements the company has contingent liabilities. Whilst the directors do not believe that any liability will arise, the outcome is uncertain.

Employee

The company's policy is to consult and discuss with employees, through unions and at staff meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through briefings, reports and annual presentations. These seek to achieve a common awareness of the financial and economic factors affecting the Company's performance.

The company is committed to a policy of treating all its employees and job applicants equally. None shall receive less favourable treatment or consideration on the grounds of race, colour, religion, nationality, ethnic origin, sex, disability, sexual orientation or marital status or shall be disadvantaged by any conditions of employment that cannot be justified as necessary on operational grounds.

The company's equal opportunity policy covers employment of disabled persons. Full and fair consideration is given to all applications for employment by the company. Continued employment is encouraged for employees becoming disabled during service through training, adaptation of work practices and flexible working hours.

The company is in full compliance of statutory legislation with regard to all of the above.

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



R Limaye
Director

Date: 23/5/19

C P PHARMACEUTICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors

The directors who served during the year were:

N Wynne
R Limaye (appointed 26 February 2019)
S Singh (resigned 26 February 2019)

Dividends

The directors do not recommend the payment of a dividend.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and of the profit or loss of the Company for that period.

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

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

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

Matters covered in the strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report, the information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes certain information that would have been included in the business review and details of principal risks and uncertainties.

Auditor

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

C P PHARMACEUTICALS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Disclosure of information to auditor

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

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

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



R. Limaye
Director

Date: 23/5/19

Ash Road North
Wrexham Industrial Estate
Wrexham
LL13 9UF

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF C P PHARMACEUTICALS LIMITED

Opinion

We have audited the financial statements of C P Pharmaceuticals Limited (the 'Company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 March 2019 and of its loss 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 United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF C P
PHARMACEUTICALS LIMITED (CONTINUED)

Opinion 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.

Matters on which we are required to report by exception

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.

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 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, 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

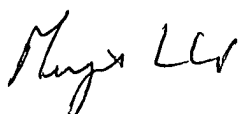
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF C P
PHARMACEUTICALS LIMITED (CONTINUED)

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.



Philip King FCA (Senior Statutory Auditor)
for and on behalf of

Menzies LLP

Chartered Accountants & Statutory Auditor

Lynton House

7-12 Tavistock Square

London

WC1H 9LT

Date: 24 May 2019

C P PHARMACEUTICALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £000	2018 £000
Turnover	4	36,979	35,567
Cost of sales		(16,314)	(16,791)
Gross profit		20,665	18,776
Administrative expenses		(25,538)	(24,082)
Exceptional administrative expenses		-	(43,013)
Operating loss	5	(4,873)	(48,319)
Interest payable and expenses	9	(65)	(209)
Loss before tax		(4,938)	(48,528)
Tax on loss	10	1,392	8,651
Loss for the financial year		(3,546)	(39,877)
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme		(966)	3,483
Movement of deferred tax relating to pension deficit		(44)	(962)
Other comprehensive income for the year		(1,010)	2,521
Total comprehensive income for the year		(4,556)	(37,356)

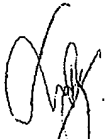
The notes on pages 11 to 29 form part of these financial statements.

C P PHARMACEUTICALS LIMITED
REGISTERED NUMBER:00482106

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	11	2,927	2,452
Tangible assets	12	21,092	19,479
		<u>24,019</u>	<u>21,931</u>
Current assets			
Stocks	13	7,727	7,332
Debtors: amounts falling due after more than one year	14	7,756	7,466
Debtors: amounts falling due within one year	14	14,071	14,738
Cash at bank and in hand	15	3,000	3,000
		<u>32,554</u>	<u>32,536</u>
Creditors: amounts falling due within one year	16	(40,472)	(33,537)
Net current liabilities		<u>(7,918)</u>	<u>(1,001)</u>
Total assets less current liabilities		<u>16,101</u>	<u>20,930</u>
Creditors: amounts falling due after more than one year	17	(38)	(54)
Pension liability		(852)	(1,109)
Net assets		<u>15,211</u>	<u>19,767</u>
Capital and reserves			
Called up share capital	21	2,433	2,433
Profit and loss account		12,778	17,334
		<u>15,211</u>	<u>19,767</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


R. Limaye
 Director

23/5/19

The notes on pages 11 to 29 form part of these financial statements.

C P PHARMACEUTICALS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2017	2,433	54,690	57,123
Comprehensive income for the year			
Loss for the year	-	(39,877)	(39,877)
Actuarial gains on pension scheme	-	2,521	2,521
Other comprehensive income for the year	-	2,521	2,521
Total comprehensive income for the year	-	(37,356)	(37,356)
Total transactions with owners	-	-	-
At 1 April 2018	2,433	17,334	19,767
Comprehensive income for the year			
Loss for the year	-	(3,546)	(3,546)
Actuarial losses on pension scheme	-	(1,010)	(1,010)
Other comprehensive income for the year	-	(1,010)	(1,010)
Total comprehensive income for the year	-	(4,556)	(4,556)
Total transactions with owners	-	-	-
At 31 March 2019	2,433	12,778	15,211

The notes on pages 11 to 29 form part of these financial statements.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

C P Pharmaceuticals Limited is a company, limited by shares, incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the company information page. The principal activities of the company and the nature of its operations are set out in the strategic report on page 1.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are presented in pound sterling, which is the functional currency of the entity.

2.2 Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Wockhardt Limited which can be obtained from Wockhardt Limited, Wockhardt Towers, Bandra Kurla Complex, (Bandra East), Mumbai 400051, Maharashtra, India. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the Company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

2.3 Revenue recognition

Turnover represents the invoiced value of goods and services supplied, and is recorded net of trade discounts. Turnover is recognised when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled. Value added tax is excluded from turnover.

2.4 Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.5 Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

2.6 Intangible assets

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation commences from the date that the asset is brought into use.

2.7 Tangible assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property (freehold land is not depreciated)	- 50 years straight line
Plant and machinery	- 10 years straight line
Fixtures, fittings and equipment	- 3-6 years straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Depreciation commences from the date that the asset is brought into use.

2.8 Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Stock is turned around on a first out basis whilst the cost of stock is valued at moving weighted average price. Where necessary, provision is made for obsolete, slow moving and defective stocks.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.9 Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the *effective interest method*. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

2.10 Defined benefit plans

The Company recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The *defined benefit liability* is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the *projected unit credit method*. Plan surpluses are recognised as a defined benefit asset only to the extent that the surplus is recoverable either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit asset or liability arising from employee service are recognised in profit or loss as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in profit or loss in the period in which they occur.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss.

2.11 Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.13 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.14 Research and development

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

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

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. The actual amounts and results could differ from those estimates. The judgements and estimates are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Turnover

In the recognition of revenue in accordance with the accounting policy the management consider the detailed criteria for the revenue recognition from the sale of goods and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Deferred tax on trading losses

The Company has considered the carrying value of deferred tax assets and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover recognised deferred tax assets. The sufficient taxable profits considered include those of fellow UK group company, Wockhardt UK Limited, since group relief can be claimed by Wockhardt UK Limited on the losses brought forward up to the statutory limits available under current UK tax rules, and for which the Company has received written confirmation from Wockhardt UK Limited that it will be fully recompensed for all losses surrendered.

These estimates are partly based on forecast performance beyond the horizon for management's detailed plans. They have regard to inherent uncertainties, such as management's ability to successfully finalise the implementation of the new Combi line, Brexit and any potential change to the UK group companies who can claim relief.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future end, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of stocks and trade debtors

The management include impairment provisions for any potential obsolete stock or irrecoverable trade debtors which are estimated based on the age of the stock or trade debtors and provide fully against any known irrecoverable amounts.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Sale of goods and services	36,979	35,567

Analysis of turnover by country of destination:

	2019 £000	2018 £000
Europe	36,790	35,333
Rest of the World	189	234
	36,979	35,567

5. Operating loss

The operating loss is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	1,531	1,589
Impairment of stock	952	943
Operating lease charges	146	115
Exceptional costs - commercial dispute (see below)	-	43,013
Exceptional legal costs - commercial dispute (see below)	-	647
Other interest - on defined benefit liability	12	135

In the previous year, an out-of-court settlement was agreed with a major ex-customer where the contract to supply terminated in 2015. The settlement value of £43m is reflected in the prior years Statement of Comprehensive Income as "Exceptional costs."

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

6. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>30</u>	<u>28</u>
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	12	11
Taxation compliance services	5	4
Other services relating to taxation	-	41
	<u>17</u>	<u>56</u>

7. Staff costs

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

	2019 £000	2018 £000
Wages and salaries	11,244	10,527
Social security costs	1,214	1,143
Staff pension past service costs	418	-
Cost of defined contribution scheme	744	710
	<u>13,620</u>	<u>12,380</u>

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

	2019 No.	2018 No.
Production staff	290	270
Distribution staff	2	3
Administrative staff	49	47
	<u>341</u>	<u>320</u>

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	544	450
Directors pension contributions	47	45
	<u>591</u>	<u>495</u>

During the year retirement benefits were accruing to 3 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £356k (2018 - £287k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20k (2018 - £20k).

9. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	53	4
Other interest payable	12	205
	<u>65</u>	<u>209</u>

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

10. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	(349)	(442)
Adjustments in respect of previous periods	-	(381)
	<u>(349)</u>	<u>(823)</u>
Total current tax	<u>(349)</u>	<u>(823)</u>
Deferred tax		
Origination and reversal of timing differences	(1,043)	(7,828)
Total deferred tax	<u>(1,043)</u>	<u>(7,828)</u>
Taxation on loss on ordinary activities	<u>(1,392)</u>	<u>(8,651)</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	<u>(4,938)</u>	<u>(48,529)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(938)	(9,221)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2	4
Capital allowances for year in excess of depreciation	(1,151)	(26)
Unrelieved tax losses carried forward	917	-
Deferred tax recognised at lower tax rates	-	869
Other tax adjustments	(222)	(277)
Total tax charge for the year	<u>(1,392)</u>	<u>(8,651)</u>

Factors that may affect future tax charges

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

10. Taxation (continued)

There were no factors that may affect future tax charges.

11. Intangible assets

	Development £000
Cost	
At 1 April 2018	2,452
Additions	475
At 31 March 2019	<u>2,927</u>
Net book value	
At 31 March 2019	<u>2,927</u>
At 31 March 2018	<u>2,452</u>

There was no amortisation charge during the year, as the asset has not yet been brought into use.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12. Tangible fixed assets

	Freehold land property £000	Capital WIP £000	Plant and machinery £000	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation						
At 1 April 2018	5,212	9,777	17,963	3,379	9,712	46,043
Additions	18	2,360	817	150	-	3,145
Transfers between classes	-	(112)	95	17	-	-
At 31 March 2019	<u>5,230</u>	<u>12,025</u>	<u>18,875</u>	<u>3,546</u>	<u>9,712</u>	<u>49,188</u>
Depreciation						
At 1 April 2018	3,468	-	13,666	2,143	7,288	26,565
Charge for the year on owned assets	38	-	1,062	431	-	1,631
At 31 March 2019	<u>3,506</u>	<u>-</u>	<u>14,728</u>	<u>2,574</u>	<u>7,288</u>	<u>28,096</u>
Net book value						
At 31 March 2019	<u>1,724</u>	<u>12,025</u>	<u>3,947</u>	<u>972</u>	<u>2,424</u>	<u>21,092</u>
At 31 March 2018	<u>1,744</u>	<u>9,777</u>	<u>4,297</u>	<u>1,237</u>	<u>2,424</u>	<u>19,479</u>

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £000	2018 £000
Freehold	1,724	1,744
Long leasehold	12,025	9,777
	<u>13,749</u>	<u>11,521</u>

13. Stocks

	2019 £000	2018 £000
Raw materials and consumables	6,816	5,469
Work in progress	697	1,006
Finished goods and goods for resale	214	857
	<u>7,727</u>	<u>7,332</u>

The amount of stock recognised as an expense during the period was £16,314k (2018: £16,791k).

14. Debtors

	2019 £000	2018 £000
Due after more than one year		
Deferred tax asset	7,756	7,466
	<u>7,756</u>	<u>7,466</u>
Due within one year		
Trade debtors	1,414	1,742
Amounts owed by group undertakings	10,838	12,387
Other debtors	515	106
Prepayments and accrued income	299	252
Tax recoverable	150	105
Deferred taxation	855	146
	<u>14,071</u>	<u>14,738</u>

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

15. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	3,000	3,000
Less: bank overdrafts	(16,890)	(16,444)
	<u>(13,890)</u>	<u>(13,444)</u>

16. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts	16,890	16,444
Trade creditors	3,518	2,083
Amounts owed to group undertakings	17,792	12,157
Other taxation and social security	798	874
Obligations under finance lease and hire purchase contracts	17	49
Other creditors	103	101
Accruals and deferred income	1,354	1,829
	<u>40,472</u>	<u>33,537</u>

The following liabilities were secured:

	2019 £000	2018 £000
Bank overdrafts	16,890	16,444
	<u>16,890</u>	<u>16,444</u>

Details of security provided:

There is an unlimited cross-charge between the Company and some group companies within the Wockhardt Limited group, see note 24 for further details.

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

	2019 £000	2018 £000
Obligations under finance leases and hire purchase contracts	38	54

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

18. Finance leases and hire purchase contracts

Minimum lease payments under hire purchase fall due as follows:

	2019 £000	2018 £000
Within one year	28	49
Between 1-5 years	26	54
	<u>54</u>	<u>103</u>

Finance leases and HP contracts are secured against the company's assets.

19. Deferred taxation

	2019 £000	2018 £000
At beginning of year	7,612	746
Charged to profit or loss	855	7,828
Charged to other comprehensive income	144	(962)
At end of year	<u>8,611</u>	<u>7,612</u>

The deferred tax balance is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(493)	(394)
Tax losses carried forward	8,960	7,818
Pension surplus	144	188
	<u>8,611</u>	<u>7,612</u>
Comprising:		
Asset - due after one year	7,756	7,466
Asset - due within one year	855	146
	<u>8,611</u>	<u>7,612</u>

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

20. Employee benefits

Defined contribution plans

During the 12 month period, the company operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £751k (2018: £710k). The outstanding pensions creditor at 31 March 2019 of £103k (2018: £101k) is shown within other creditors.

Defined benefit plans

The Company operates a funded defined pension scheme. The assets of the scheme are held separately from those of the Company.

The scheme closed to new entrants at the end of February 2004 and all pension accruals ceased on that date. The current service costs will increase as members approach retirement.

An actuarial valuation to 31 March 2019 was carried out by Capita, consulting actuaries, on 12/04/2019. The major assumptions are included in this note.

The statement of financial position net defined benefit liability is determined as follows:

	2019 £000	2018 £000
Present value of defined benefit obligations	(42,206)	(39,900)
Fair value of plan assets	41,354	38,791
	<u>(852)</u>	<u>(1,109)</u>

Employee benefits (continued)

Changes in the present value of the defined benefit obligations are as follows:

	2019 £000	2018 £000
As at 1 April 2018	39,900	43,199
Benefits paid	(866)	(1,252)
Interest expense	1,031	1,086
Remeasurements: Actuarial gains and losses	1,723	(3,133)
Past service cost	418	-
	<u>42,206</u>	<u>39,900</u>

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Employee benefits (continued)

Changes in the fair value of plan assets are as follows:

	2019 £000	2018 £000
At 31 March 2017	38,792	37,145
Interest income	1,019	951
Benefits paid	(866)	(1,252)
Contributions by employer	1,652	1,597
Remeasurements: Actuarial gains and losses	757	350
At 31 March 2019	41,354	38,791

The total costs for the year in relation to defined benefit plans are as follows:

	2019 £000	2018 £000
Recognised in profit and loss: Net interest expense	12	135
	<u>12</u>	<u>135</u>
Remeasurement of the net defined benefit plan	966	(3,483)
	<u>966</u>	<u>(3,483)</u>

The fair value of the major categories of plan assets are as follows:

	2019 %	2018 %
Equity instruments	49.4	46
Debt instruments	9.8	12.7
Annuity policy	22.5	24.3
Other assets	18.3	17

Employee benefits (continued)

The return on plan assets are as follows:

	2019 £000	2018 £000
Interest Income	1,019	951
Remeasurements: Actuarial gains and losses	757	350
Return on assets of benefit plan	1,776	1,301

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The principal actuarial assumptions as at the statement of financial position date were:

	2019	2018
	%	%
Discount rate	2.4	2.60
Expected rate of increase to pension in payment	3.25	3.10
Inflation assumption	2.25	2.15
Mortality rates:		
Current pensioners at 65 - male	21.4	22.00
Current pensioners at 65 - female	23.7	24.00
Future pensioners at 65 - male	22.4	23.00
Future pensioners at 65 - female	24.9	25.20

21. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
570,000 (2018 - 570,000) Ordinary shares of £1 each	570	570
1,862,549 (2018 - 1,862,549) Ordinary Class A shares of £1 each	1,863	1,863
	<hr/>	<hr/>
	2,433	2,433

Both class of share above confer the same rights.

22. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

23. Capital commitments

At 31 March 2019 the Company had capital commitments as follows:

	2019	2018
	£000	£000
Tangible assets	623	834
Intangible assets	21	475

CP PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

24. Contingencies

The Company, together with Wockhardt UK Limited, Wockhardt UK Holdings Limited, Pinewood Healthcare Limited and Wallis Group Limited and its subsidiaries, have an unlimited cross-charge. As at 31 March 2019 this amounted to £16,890k (2018: £16,444k), see note 16.

The Company, along with others within the Wockhardt Limited Group, acts as a joint guarantor to a facility agreement dated 27 June 2016 on behalf of Wockhardt Bio AG. The maximum liability is USD\$ 250m. The directors do not currently consider that any liability will arise.

25. Related party transactions

The Company is exempt under FRS 102 paragraph 33.1A from disclosing related party transactions with entities that are part of the Wockhardt Bio AG group. Transactions and balances with other group companies within the Wockhardt Limited group are as follows:

As at 31 March 2019, the balance receivable from Wockhardt Limited by CP Pharmaceuticals Limited was £1,261k (2018: £1,277k).

During the 12 months to 31 March 2019, CP Pharmaceuticals Limited made sales of £nil (2018: £nil) and purchases of £138k (2018: £80k) from Wockhardt Limited.

During the 12 months to 31 March 2019, CP Pharmaceuticals Limited made recharges of £16k (2018: £25k) and received recharges of £28k (2018: £51k) from Wockhardt Limited.

As at 31 March 2019, the balance payable to Wallis Licensing Limited by CP Pharmaceuticals Limited was £2,782k (2018: £2,862k). There were no transactions during the 12 months to 31 March 2019.

C P PHARMACEUTICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

26. Information about parent undertakings and controlling party

Due to corporate restructuring, ownership of CP Pharmaceuticals Limited, was transferred from Wockhardt UK Holdings Limited to Wockhardt Bio AG, a fellow subsidiary company of Wockhardt Limited, with effect from 1 April 2015.

The immediate parent company is Wockhardt Bio AG, a company incorporated in Switzerland. The results of the Company are included in the Wockhardt Bio AG consolidated financial statements, and this is the smallest group for which group accounts are drawn up. Group accounts are available to the public and can be obtained from:

Wockhardt Bio AG
Grafenauweg 6
6300 Zug
Switzerland

www.wockhardtbio.com/media/news.html

The ultimate parent company is Wockhardt Limited, a company incorporated in India. The results of the Company are included in the Wockhardt Limited consolidated financial statements, and this is the largest group for which group accounts are drawn up. Group accounts are available to the public and can be obtained from:

Wockhardt Limited
Wockhardt Towers
Bandra Kurja Complex, Bandra (East)
Mumbai 400051
Maharashtra, India

www.wockhardt.com/investor-connect/annual-reports.aspx

The ultimate controlling party is H F Khorakiwala and family. H F Khorakiwala is chairman of Wockhardt Limited.