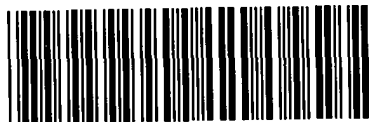


KD Pharma UK Limited

**Annual Report
Year Ended 31 December 2021**

Registered number: 07614003

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DIRECTORS AND OTHER INFORMATION

Board of Directors at 13 July 2022

M Altermatt
P Trickett

Bankers

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Registered Office

Seal Sands
Middlesbrough
England
TS2 1UB

Solicitors

Fladgate LLP
16 Great Queen Street
London
WC2B 5DG

Registered number: 07614003

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Ballycar House
Newtown
Waterford
Ireland

STRATEGIC REPORT

For the year ended 31 December 2021

The directors present their strategic report of the company for the year ended 31 December 2021.

Principal activities and business review

The company's principal activity is the manufacture and sale of Omega-3 products for both pharmaceutical and nutraceutical markets.

Performance and measurement

The company's results for the year are set out on page 9.

The directors consider Turnover as their key performance indicator. Turnover for the year was £42,663,000 (2020: £15,764,000), of which intercompany sales totalled £41,890,000 (2020: £15,734,000). The result for the year was a loss of £588,000 before tax (2020: £518,000 loss).

The new intermediate plant, referred to as P8, was finished in 2021 and manufactures a number of intermediates for the UK site and other companies in the group. Total cost of the project was £18,776,000. In addition work started on a new CDMO plant (Contract development and manufacturing organization) with a total spend as of 31 December 2021 of £16,181,000 and further expenditure committed of £2,998,000. Production in the new plant is due to commence in Q3 2022.

The balance sheet on page 10 shows net assets of £13,443,000 (2020: £8,443,000). The company has no external borrowings. KD Pharma Group SA has indicated that they will continue to provide financial and other support to the company, for the foreseeable future, to allow the company to meet its liabilities as they become due. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The directors constantly monitor the risks and uncertainties facing the company with particular reference to the competitive market place within which the company operates.

During the year the Covid-19 virus continued across the globe and the directors and senior management team took a number of actions to limit the risk to employees and minimise any financial impact. The situation is closely monitored to ensure timely and appropriate action is taken and government guidance fully adhered to

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the company's reputation

Whilst the company has no external borrowing, the company is reliant upon support from KD Pharma Group SA, at the date of approval of these financial statements.

Future developments

Following the acquisition of the CDMO plant, due to be finalised to commence production in Q3 2022 the company is able to expand on its current product portfolio with turnover expected to continue to grow in the coming years.

By order of the board

Director

Date:


Peter Trickett

13/07/2022

DIRECTORS' REPORT

For the year ended 31 December 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Directors and secretary

The directors who held office during the year, and changes since the year end, were as follows:

M Altermatt
P Trickett

Dividends

The directors do not recommend payment of a dividend (2020: £Nil).

Post balance sheet events

On 24 February 2022 a military conflict began between Russia and Ukraine. To date, the war has had no significant impact on the company's business, however, the directors continue to actively review the situation in order to mitigate any impact the war may have on the business. There have been no other subsequent events which would impact on the financial statements of the company.

Political donations

The company made no political contributions or incurred any political expenditure during the year (2020: £Nil).

Research and development

Research and development activities in the year focussed on optimising the new production processes brought on line during 2021 and 2020. During the year £19,000 was spent on research and development (2020: £124,000).

Disclosure of information to auditors

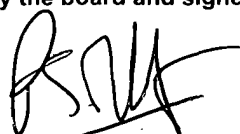
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PwC have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the board and signed on its behalf by:

Director



Peter Trickett

Date:

13/07/2022

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. 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 the financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. state whether applicable UK-adopted accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
3. make judgements and accounting estimates that are reasonable and prudent; and
4. 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 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.

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

On behalf of the board

Director



Peter Trickett

Date:

13/07/2022



Independent auditors' report to the members of KD Pharma UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, KD Pharma UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the balance sheet as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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



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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to:

- laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, including international accounting standards in conformity with the requirements of the Companies Act 2006 and taxation legislation; and
- those laws and regulations which do not have a direct effect on the determination of material amounts and disclosures in the financial statements but where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety; data protection; employment law; and, certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

- Consideration of fraud risk as part of our audit planning process;



- Identification of potential risk factors through consideration of the company's business strategies and risks. This includes inquiries of management regarding their perspectives on fraud and compliance with applicable laws and regulations;
- Evaluation of the programs and controls designed to address fraud risk;
- Responding to the risk identified by designing appropriate audit procedures;
- Maintaining professional scepticism throughout the audit;
- Implementing specific procedures to address risks associated with the management override of controls, including close examination of journal entries and other adjustments, accounting estimates, identifying indicators of possible management bias and significant unusual transactions;
- Incorporating unpredictability into our audit process;
- Implementing specific procedures to address risks associated with non-compliance with laws and regulations; and
- Careful evaluation of the amount and quality of audit evidence obtained at all stages of the audit

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

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

Use of this report

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

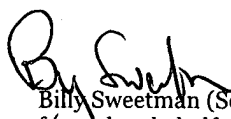
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.


Billy Sweetman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Waterford, Ireland
14 July 2022

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	5	42,663	15,764
Cost of sales		<u>(39,104)</u>	<u>(13,706)</u>
Gross profit		3,559	2,058
Other income	7	34	10
Administrative expenses		<u>(971)</u>	<u>(719)</u>
Operating profit		2,622	1,349
Finance income	10	213	-
Finance expenses	10	<u>(3,423)</u>	<u>(1,867)</u>
Loss before taxation		(588)	(518)
Tax on loss	11	<u>(447)</u>	<u>246</u>
Loss for the financial year		<u>(1,035)</u>	<u>(272)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u>(1,035)</u>	<u>(272)</u>

BALANCE SHEET
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	12	46,378	27,593
Intangible fixed assets	13	43	55
		<u>46,421</u>	<u>27,648</u>
Current assets			
Inventories	14	25,726	11,993
Trade and other receivables	15	8,736	7,134
Cash and cash equivalents		2,404	1,002
Total current assets		<u>36,866</u>	<u>20,129</u>
Total assets		<u>83,287</u>	<u>47,777</u>
Current liabilities			
Trade and other payables	16	<u>(15,470)</u>	<u>(10,236)</u>
Non-current liabilities			
Borrowings	17	<u>(54,374)</u>	<u>(29,098)</u>
Total liabilities		<u>(69,844)</u>	<u>(39,334)</u>
Net assets		<u>13,443</u>	<u>8,443</u>
Equity			
Called up share capital	19	-	-
Share premium	20	-	-
Capital contribution reserve	20	6,035	-
Retained earnings	20	<u>7,408</u>	<u>8,443</u>
Total equity		<u>13,443</u>	<u>8,443</u>

The notes on pages 13 to 27 are an integral part of these financial statements.

The financial statements on pages 9 to 27 were authorised for issue by the Board of Directors on 13 July 2022 and signed on its behalf by:

On behalf of the board



Peter Trickett

Director

13/07/2022

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Called up share capital £'000	Share premium £'000	Capital contribution reserve £'000	Profit and loss £'000	Total £'000
Balance as 1 January 2020	-	-	-	8,715	8,715
Loss for the year	-	-	-	(272)	(272)
Total comprehensive loss for the year	-	-	-	(272)	(272)
Balance as at 31 December 2020	-	-	-	8,443	8,443
Balance as 1 January 2021	-	-	-	8,443	8,443
Loss for the year	-	-	-	(1,035)	(1,035)
Total comprehensive loss for the year	-	-	-	(1,035)	(1,035)
Capital contribution	-	-	6,035	-	6,035
Total transactions recognised directly in equity	-	-	6,035	-	6,035
Balance as at 31 December 2021	-	-	6,035	7,408	13,443

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss for the year		(1,035)	(272)
Adjustments for:			
Finance income	10	(213)	-
Finance expense	10	3,423	1,867
Taxation	11	447	(246)
Operating profit		<u>2,622</u>	<u>1,349</u>
Depreciation, impairment and amortisation of property, plant and equipment	12	2,162	1,261
Depreciation of intangible fixed assets	13	12	6
Increase in trade and other receivables		(1,675)	(6,747)
Increase in inventories		(13,733)	(11,820)
Increase in trade and other payables		3,982	8,004
		<u>(6,630)</u>	<u>(7,947)</u>
Interest paid		-	-
Tax received		-	-
		<u>(6,630)</u>	<u>(7,947)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(20,947)	(15,351)
Purchase of intangible fixed assets	13	-	(61)
Net cash used in investing activities		<u>(20,947)</u>	<u>(15,412)</u>
Cash flows from financing activities			
Advances from group undertakings		22,943	24,322
Capital Contribution		6,035	-
Net cash generated from financing activities		<u>28,978</u>	<u>24,322</u>
Net increase in cash and cash equivalents		1,401	963
Cash and cash equivalents at start of year		<u>1,002</u>	<u>39</u>
Cash and cash equivalents at 31 December		<u>2,404</u>	<u>1,002</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

KD Pharma UK Limited (the "company") is a private company incorporated in England under the registered number 07614003. The address of its registered office is Seal Sands, Middlesbrough, England, TS2 1UB.

At the year end, KD Pharma Group SA, a company incorporated in Switzerland, owned 100% of the equity share capital of the company. O3 Holding GmbH owns 100% of the shares in KD Pharma Group SA. O3 Holding GmbH prepares group financial statements and is both the smallest and largest group for which financial statements are drawn up and of which KD Pharma UK Limited is a member. TopCo Omega GmbH is the ultimate parent company of O3 Holding GmbH.

These financial statements are the company's separate financial statements for the financial year beginning 1 January 2021 and ending 31 December 2021.

2 Statement of compliance

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. KD Pharma UK Limited transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of KD Pharma UK Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

(a) Basis of preparation

The entity financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through the profit or loss account.

The preparation of financial statements in conformity with adopted IFRSs requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling, denominated by the symbol "£".

(ii) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(b) Foreign currency - continued

(ii) *Transactions and balances - continued*

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(c) Revenue

Revenue represents the amount receivable in the ordinary course of business from the provision of goods and services to customers. Revenue is measured at the fair value of the right to consideration net of sales related rebates, discounts and value added tax. The company recognises revenue when the customer obtains control of the goods, the customer obtains control at the point of despatch of goods and for services when they have been provided.

The company manufactures and sells Omega-3 products for both pharmaceutical and nutraceutical markets. Sales are recognised when control of the products has transferred to the customer. The majority of sales are to intercompany customers and revenue is recognised when the product is despatched. Products are manufactured to agreed product specifications. Prior to despatch all goods are rigorously checked by quality and a certificate of analysis issued for each batch to ensure the goods meet the specific requirements of customers reducing the risk of any potential returns.

(d) Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred taxation assets and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*

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

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Directly attributable borrowing costs are capitalised as part of the cost of that asset.

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, once the assets are available for use, to the income statements 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. Assets which are not available for use are not depreciated. The estimated useful lives are as follows:

- | | |
|-----------------------|--------------|
| • Buildings | 40 years |
| • Plant and equipment | 5 – 15 years |

(f) Intangible fixed assets

Purchased intangible assets relating to software are recognized at cost and amortized over their respective useful lives using the straight-line method. An impairment test is performed if there is an indication of potential impairment. Other intangible assets also comprise purchased rights and software which have useful lives of three to five years. Amortization expenses are allocated to general and administrative expenses.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

(h) Inventories

Inventories are valued on a first-in, first-out basis at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads to the extent that they relate to the period of production.

Net realisable value comprises the actual or estimated selling price (net of trade discounts) less all further costs to completion or to be incurred in marketing, selling and distribution. Some inventory is subject to retention of title claims by suppliers in the event of non-payment.

(i) Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(j) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as liabilities amounts due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as liabilities amounts due after one year.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(k) Provisions and contingencies

(i) Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In particular, provision is not made for future operating losses.

(ii) Contingencies

Contingent liabilities arising as a result of past events, are not recognised as a liability because it is not probable that the company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(l) Share capital presented as equity

Equity shares issued are recognised at the proceeds received. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

(n) Standards and interpretations applied for the first time

None of the adopted IFRSs, which became effective for the first time, had a significant impact on the company's result for the year or equity.

(o) Adopted IFRS not applied

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible fixed assets

The annual depreciation on property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible fixed assets, and note 3(e) for the useful economic lives for each class of tangible fixed assets.

5 Revenue

The company only has one reporting segment. All of the company's revenue, operating (loss)/profit, loss before tax and new assets/(liabilities) are attributable to the manufacture and sale of Omega-3 products.

	2021 £'000	2020 £'000
Sale of goods	<u>42,663</u>	<u>15,764</u>

The geographic location where revenue arise is summarised below:

	2021 £'000	2020 £'000
United Kingdom	771	30
Europe	41,621	15,734
North America	271	-
	<u>42,663</u>	<u>15,764</u>

6 Expenses and auditors' remuneration

Included in the loss for the year are the following:

	2021 £'000	2020 £'000
Research and development charged as an expense	19	124
Amortisation of intangible fixed assets	12	6
Depreciation of property, plant and equipment	<u>2,162</u>	<u>1,261</u>

	2021 £'000	2020 £'000
Audit of these financial statements	<u>40</u>	<u>12</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Other income

	2021 £'000	2020 £'000
Other operating income	<u>34</u>	<u>10</u>

8 Staff numbers and costs

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

	2021 No.	2020 No.
Senior Managers	5	6
Administration	5	3
Production & Maintenance Staff	<u>72</u>	<u>43</u>
	<u>82</u>	<u>52</u>

The aggregate payroll expenses for these persons were as follows:

	2021 £'000	2020 £'000
Wages and salaries	3,362	2,141
Social security costs	366	233
Contributions to defined contributions plans (note 24)	<u>364</u>	<u>237</u>
	<u>4,092</u>	<u>2,611</u>

Of the total staff costs, £343,000 (2020: £1,486,000) has been capitalised into tangible fixed assets and £3,749,000 (2020: £1,125,000) has been treated as an expense in the profit and loss account.

9 Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	134	162
Company contributions to money purchase pension plans	<u>30</u>	<u>30</u>

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Net interest expense

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest receivable and similar income		
Net foreign exchange gains	213	-
	<u>213</u>	<u>-</u>
Interest payable and similar charges		
Interest expense on intergroup financial liabilities measured at amortised cost	2,465	997
Intergroup finance charge	958	861
Net foreign exchange losses	-	9
	<u>3,423</u>	<u>1,867</u>

11 Tax on loss

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
(a) Recognised in the income statement		
<i>Current tax charge</i>		
Current tax on income for the year	-	-
Total current tax charge	<u>-</u>	<u>-</u>
<i>Deferred tax charge/(credit)</i>		
Origination and reversal of timing differences	396	(246)
Impact of change in tax rate	50	-
Adjustment in respect of prior periods	1	-
Total deferred tax charge/(credit)	<u>447</u>	<u>(246)</u>
Tax charge/(credit)	<u>447</u>	<u>(246)</u>

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
(b) Reconciliation of effective tax rate		
(Loss) before taxation	(588)	(518)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(112)	(99)
Reversal of impairment not taxable	-	-
Adjustment in respect of prior year	1	-
Disallowed expenses	508	161
Other reconciling items	50	34
Previously unrecognised losses now utilised	-	(132)
Current year losses carried forward	-	(210)
Total tax charge/(credit)	<u>447</u>	<u>(246)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Tax on loss (continued)

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

12 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Operating and office equipment £'000	Assets under construction £'000	Total £'000
Cost					
Balance at 1 January 2021	12,542	47,357	217	3,018	63,134
Disposals	-	-	-	-	-
Transfer between classes	1,896	5,768	10	(7,674)	-
Additions	-	-	-	20,947	20,947
Balance at 31 December 2021	<u>14,438</u>	<u>53,125</u>	<u>227</u>	<u>16,291</u>	<u>84,081</u>
Depreciation and impairment					
Balance at 1 January 2021	6,006	29,489	46	-	35,541
Disposals	-	-	-	-	-
Transfer between classes	-	-	-	-	-
Depreciation	201	1,913	48	-	2,162
Balance at 31 December 2021	<u>6,207</u>	<u>31,402</u>	<u>94</u>	<u>-</u>	<u>37,703</u>
Net book value					
31 December 2021	<u>8,231</u>	<u>21,723</u>	<u>133</u>	<u>16,291</u>	<u>46,378</u>
31 December 2020	<u>6,536</u>	<u>17,868</u>	<u>171</u>	<u>3,018</u>	<u>27,593</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Intangible fixed assets

	Computer software £'000	Total £'000
Cost		
Balance at 1 January 2021	61	61
Additions	-	-
Balance at 31 December 2021	<u>61</u>	<u>61</u>
Depreciation and impairment		
Balance at 1 January 2021	6	6
Depreciation	12	12
Balance at 31 December 2021	<u>18</u>	<u>18</u>
Net book value		
31 December 2021	<u>43</u>	<u>43</u>
31 December 2020	<u>55</u>	<u>55</u>

14 Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	9,537	4,362
Work in progress	14,113	7,243
Finished goods	2,076	388
	<u>25,726</u>	<u>11,993</u>

15 Trade and other receivables

	2021 £'000	2020 £'000
Other debtors	162	58
Amounts due from related parties (note 22)	7,370	5,442
Deferred tax asset	-	246
Prepayments	1,204	1,388
	<u>8,736</u>	<u>7,134</u>
Provision for doubtful debts	-	-
	<u>8,736</u>	<u>7,134</u>

A provision against trade and other receivables is made when these are considered to be impaired after taking into account the specific nature of the receivable.

Balances which were past their due date, in the current and prior year, have been fully provided.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Trade and other payables	2021 £'000	2020 £'000
Trade payables	9,652	6,783
Amounts owed to related parties (note 22)	4,862	2,983
Deferred tax liability	201	-
Non-trade payables and accrued expenses	755	470
	<u>15,470</u>	<u>10,236</u>

Amounts owed to related parties are unsecured, interest free, and have repayment terms of 45 days.

17 Borrowings	2021 £'000	2020 £'000
Loans from related parties (note 22)	<u>54,374</u>	<u>29,098</u>

The company has an unsecured loan facility of 14.3 million Euros, 218.7k US Dollars and 42.2 million GBP with its O3 Holding GmbH, including its subsidiaries. As of 31 December 2021 the lenders were KD Pharma Group SA and O3 Holding GmbH (2020: KD Pharma Group SA and O3 Holding GmbH). The borrowings bear interest of 3 Month Euribor plus 6.5%, 3 Month GBP Libor plus 7.02% or 3 Month USD Libor plus 6.97%. The borrowings, including principal and interest, are repayable in full on 31 May 2024.

On the 23 December 2020 a fixed and floating charge was raised against the assets of the Company as part of wider group agreement. The agreement is made between the KD Pharma group and a consortium of lenders of which Deutsche Bank AG is the largest benefactor.

18 Deferred taxation	2021 £'000	2020 £'000
At beginning of year	246	-
Charge/(credit) to profit or loss	(447)	246
At end of year	<u>(201)</u>	<u>246</u>

The provision for deferred taxation is made up as follows:

	2021 £'000	2020 £'000
Tax losses	671	342
Other temporary timing differences	6	9
Timing differences with capital allowances	(878)	(105)
At end of year	<u>(201)</u>	<u>246</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Called up share capital	2021 £	2020 £
Allotted, called up and fully paid		
1 ordinary share of £1 each (2020: 1)	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The directors do not propose the payment of any dividend for the year (2020: £Nil).

20 Share premium and retained earnings

	Capital contribution reserve £'000	Share premium account £'000	Retained earnings £'000
At 1 January 2020	-	-	8,715
Loss for year	-	-	(272)
At 31 December 2021	<u>-</u>	<u>-</u>	<u>8,443</u>
At 1 January 2021	-	-	8,443
Capital Contribution	6,035	-	-
Loss for year	-	-	(1,035)
At 31 December 2021	<u>6,035</u>	<u>-</u>	<u>7,408</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Financial instruments

The fair values of all other financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	2021		2020	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair Value £'000
Financial assets at amortised cost				
Cash and cash equivalents	2,404	2,404	1,002	1,002
Other debtors	163	163	58	58
Amounts due from related parties	7,370	7,370	5,442	5,442
Total financial assets	9,937	9,937	6,502	6,502
Financial liabilities measures at amortised cost				
Trade and other payables	10,407	10,407	7,253	7,253
Amounts due to related parties	4,862	4,862	2,983	2,983
Loans from related parties	54,374	54,374	29,098	29,098
Total financial liabilities	69,643	69,643	39,334	39,334

Cash and cash equivalents falls within Level 1. All other financial assets and financial liabilities noted above fall within Level 2.

Management of financial risk

The company's risk management policies are established to identify and analyse the risk faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The main risks associated with the company's financial instruments have been identified as credit risk liquidity risk and market risk.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations and arises from trade and other receivables and amounts due from related parties. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits. The carrying amount of Other debtors and Amounts due from related parties represents the maximum exposure to credit risk for the company.

The directors consider the company's exposure to credit risk to be acceptable and normal for entities of its size.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Financial instruments - continued

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the company's reputation.

The company has no external borrowing and is reliant upon continued support from the other group companies. On 28 May 2019 the entire share capital of the company was acquired by KD Pharma Group SA. KD Pharma Group SA has indicated that they will continue to provide such financial and other support to the company to meet its liabilities as they become due.

Trade and other payables and amounts due to related parties fall due within one year, the Loans from related parties fall due after more than five years.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognised assets and liabilities or future cash flows or the company's results of operations.

Market risk – foreign currency risk

The company's exposure to foreign currency risk, expressed in £'000s at the end of the year is as follows. This is based on the carrying amount of monetary financial instruments:

	2021		2020	
	EUR £'000	USD £'000	EUR £'000	USD £'000
Amounts due from related parties	-	7,370	1,282	4,160
Trade and other payables	(2,337)	(5,890)	(1,013)	(3,755)
Amounts due to related parties:	(148)	(4,529)	(714)	(2,042)
Loans from related parties	(11,980)	(162)	(1,925)	(2,650)
	<u>(14,465)</u>	<u>(3,211)</u>	<u>(2,370)</u>	<u>(4,287)</u>

A 5% change of the exchange rates for the above currencies against the pound sterling at 31 December 2021 would have increased or decreased equity and profit by £883,797 (2020: £332,850). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures at that date.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Financial instruments - continued

Market risk – interest rate risk

At the balance sheet date the interest rate profile of the company's interest bearing financial instruments was:

	2021 £'000	2020 £'000
Variable rate instruments:		
Loan from related party	54,374	29,098

A 1% change in interest rates would have increased or decreased equity and profit by £543,740 (2020: £290,980). This calculation assumes that the level of debt at year end had been in place throughout the financial year. This analysis also assumes that all other variables, in particular foreign currency rates, remain constant.

22 Related parties

At 31 December 2021, TopCo Omega GmbH is the company's controlling party. Related party transactions arose with TopCo Omega GmbH and certain of its subsidiaries during the year were as follows:

	2021 £'000	2020 £'000
(a) Sales and purchases of goods and services		
Sales of goods to members of the O3 Holding GmbH Group	41,892	15,734
Purchases of goods from members of the O3 Holding GmbH Group	30,453	13,823
(b) Year end balances arising from sales of goods and purchases of goods/services and finance charges		
Receivables from members of the O3 Holding GmbH Group	7,370	5,442
Payables to members of the O3 Holding GmbH Group	4,862	2,983
(c) Loans from related parties		
Loans from members of the O3 Holding GmbH Group:		
Beginning of year	29,098	3,818
Loans advanced during the year	37,069	24,322
Loans repaid during the year	(14,208)	-
Interest expensed	2,465	997
Interest capitalised as part of capital expenditure	83	-
Foreign exchange gain	(133)	(39)
End of year	54,374	29,098

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Related parties - continued

During the year the company purchased £0 (2020: £81,037) of services from PST Consulting Services Limited, a company controlled by Peter Trickett, a director of the company. An amount of £0 (2020: £Nil) was outstanding at the year end.

The compensation of key management personnel (including the directors) is as follows:

	2021 £'000	2020 £'000
Short term employee benefits	527	565
Post employment benefits	56	67
	<u>583</u>	<u>632</u>

23 Commitments

Capital commitments at the end of the year for which no provision has been made amounted to £3,069,080 (2020: £890,873).

24 Employee benefits

Defined contribution plan

The company operated a defined contribution plan. The pension cost charge represents contributions payable by the company to the plan and amounted to £333,338 (2020: £236,894). Contributions amounting to £34,138 (2020: £49,501) were payable to the scheme at the year end.

25 Post balance sheet events

On 24 February 2022 a military conflict began between Russia and Ukraine. To date, the war has had no significant impact on the company's business, however, the directors continue to actively review the situation in order to mitigate any impact the war may have on the business. There have been no other subsequent events which would impact on the financial statements of the company.

26 Approval of financial statements

The directors approved the financial statements on 13 July 2022.