

# Norbrook Laboratories Limited

Directors' report and  
financial statements

Year ended 3 August 2018

Company registration number: NI007665



# Norbrook Laboratories Limited

## Directors' report and financial statements

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# Norbrook Laboratories Limited

## Directors and other information

### Directors

Sir Ian Gibson (Chair)  
Lady M Ballyedmond  
L Nagle – Chief Executive  
J P McGrath – Finance Director  
The Hon EGS Haughey  
Prof The Hon JQS Haughey

### Secretary

M P Murdock

### Auditors

KPMG  
Chartered Accountants  
The Soloist Building  
1 Lanyon Place  
Belfast, BT1 3LP

### Bankers

Danske Bank  
Donegall Square West  
Belfast  
BT1 6JS

### Solicitors

Pinsent Masons  
The Soloist Building  
1 Lanyon Place  
Belfast, BT1 3LP

### Registered office

Station Works  
Camlough Road  
Newry  
Co. Down, BT35 6JP

### Subsidiary undertakings

Haughey Air Limited  
Norbrook Laboratories (GB) Limited  
Norbrook Laboratories (Ireland) Limited

### Registration number

NI 007665

# Norbrook Laboratories Limited

## Directors' report

The directors have pleasure in submitting their annual report to the shareholders together with the audited financial statements of the company for the year ended 3 August 2018.

## Strategic report

The principal activities of the company, a business review, key performance indicators, likely future developments and the principal risks and uncertainties have not been included in this report as they are disclosed in the strategic report on pages 4 to 6.

## Directors

The directors who held office during the period were:-

Sir Ian Gibson  
Lady Ballyedmond  
L Nagle  
J P McGrath  
The Hon EGS Haughey  
Prof The Hon JQS Haughey

The directors are not required by the Articles of Association to retire by rotation.

## Transactions with related parties

To the extent not disclosed elsewhere in the financial statements, transactions with directors and related parties are detailed in note 11 to the financial statements.

## Dividends

The directors have paid during the year a dividend in respect of the year ended 3 August 2018 of £13.7m (2017: £15m).

## Financial instruments

The financial risk management objectives and policies of the company are detailed in the strategic report on pages 4 to 6.

## Post balance sheet events

No events have occurred post year end which would materially alter the financial statements.

## Political donations

The company made political donations of £Nil (2017: £Nil) during the year. The company incurred no political expenditure in the year (2017: £Nil).

## Group Restructuring

During the year the company received a capital contribution in the amount of £3,665k from its parent company as a result of a group restructuring exercise (see note 25).

# Norbrook Laboratories Limited

## Directors' report *(continued)*

### **Employment policies**

It is company policy that employees are kept as fully informed as is practicable about the progress of the company through a process of regular team meetings and monthly briefings.

The company gives full consideration to applications for employment by disabled persons, and every effort is made to ensure that the training and career development of disabled persons is identical to that of all other employees. The company subscribes to the Equality Commission.

The company has developed a safety statement which is being complied with and satisfactorily operated.

### **Research and development**

Further details in respect of the activities of the company in research and development are set out in the strategic report.

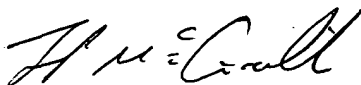
### **Disclosure of information to auditors**

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the Auditors will be deemed to be reappointed and KPMG will therefore continue in office.

On behalf of the Board



J P McGrath  
Director

25 October 2018

Station Works  
Camlough Road  
Newry  
Co. Down, BT35 6JP

# Norbrook Laboratories Limited

## Strategic report

### Principal activity and business review

The principal activities of the company continue to be the manufacture and sale of veterinary pharmaceutical products worldwide together with associated pharmaceutical research activity.

### Review of developments and future prospects

The results for the period are set out in the profit and loss account and other comprehensive income on page 11 and in the related notes.

The company saw solid performance across all of its business activities, with turnover increasing to £228.7m (2017: £223.5m). Operating profit decreased to £26.4m (2017: £41.4m) and profit after tax for the period was £34.5m (2017: £32.9m)

The directors consider that Norbrook is well positioned to capitalise on a number of exciting commercial opportunities within the Animal Health industry and are confident that the strategy being implemented will support the continued growth in both revenue and earnings that has been demonstrated over recent years. The Group has a strong pipeline of new products under development and the directors are confident that this along with additional investment in manufacturing, information technology and management structures will support the positive momentum of the business.

### Key performance indicators ("KPIs")

The directors monitor progress on the overall strategy of growth by reference to four KPIs.

Performance during the year, together with historical trend data is set out in the table below:

	2018	2017	Definition, method of calculation and analysis
Growth in sales (%)	2.3%	8.4%	Year on year sales growth expressed as a percentage. Long-term sales growth remains on track. Confidence may be placed in this due to our broader product range, continuing customer loyalty and industry leading product quality and availability.
Gross margin (%)	34.1%	38.2%	Gross margin is the ratio of gross profit to sales expressed as a percentage. Gross margin is in line with expectations due to the market environment.
Employee numbers	1,614	1,697	Average staff numbers for the year. Year on year movement is in line with expectations due to the cyclical nature of the business.

### Principal risks and uncertainties

There are a number of risks and uncertainties related to the group's business. The company maintains an Enterprise Risk Management Team to carry out a detailed review of all the principal risks in the business, looking in detail at the nature and scale of the risks being taken and the mitigation approaches. The Board considers that it is possible that more than one principal risk could escalate at any one point in time. It is satisfied that these risks are being managed appropriately and consistently with the target risk appetite. The factors below are those that the directors believe are most likely to cause the group's actual results to differ materially from expected results.

# Norbrook Laboratories Limited

## Strategic report (*continued*)

### Principal risks and uncertainties (*continued*)

#### *Manufacturing and logistics*

The manufacturing and distribution facilities could be disrupted for reasons beyond the control of the directors, such as extremes of weather, fire, shortfall in supplies of materials or services, systems failures or environmental issues. Any significant manufacturing or logistical disruptions could affect the group's ability to make and sell products which could cause revenues to be impacted.

#### *Raw materials*

The business depends on the availability, quality and cost of raw materials from around the world, which may expose the group to price and supply fluctuation. The directors take measures to protect against the short term impact of these fluctuations by passing on cost increases to customers, although there can be no assurance that all shortfalls will be recovered. A failure to recover higher costs or shortfalls in availability or quality could affect profitability.

#### *Legislation and regulation*

Many of the group's products are subject to governmental regulation regarding the production, sale, safety, labelling and composition/ingredients of such products in the various countries and jurisdictions which the group and related companies operate. In addition the manufacture of many of the group's products, and other activities, is subject to governmental regulation relating to the discharge of materials into the environment, and the reclamation and recycling of packaging waste. At all times the group and related companies are subject to employment and health and safety legislation in those countries in which there are operations.

#### *Industry Competitive Factors*

The dynamics of the animal health industry includes numerous volatile elements such as regulatory interventions, drug approval patterns, customer consolidation, competitor strategies and pricing that are difficult to anticipate and may affect profitability. To manage and mitigate such risk factors the company operates in a wide range of countries, products and therapeutic areas. In addition the company has diversified manufacturing capability, actively manages product life cycles and works to identify market opportunities and develop appropriate pricing opportunities.

#### *Information Technology*

If information, data and systems are not adequately maintained, secured and protected this could result in increased internal/external security threats, interruption to the business and compliance and reputational damage. The company utilises industry specialists to provide advice on industry-standard information security solutions for critical systems and continues to invest resources on improving alignment between IT and business strategy.

#### *Organisational Growth*

The fast growing pace of the organisation carries the inherent risk to maintaining adequate talent acquisition strategies, organisational structure and management processes that serve the changing needs of the organisation. In turn, this may affect other risks within the Company. To manage and control such risks the Company endeavours to employ HR programmes that attract, manage and develop talent within the organisation.

# Norbrook Laboratories Limited

## Strategic report *(continued)*

### Principal risks and uncertainties *(continued)*

#### *UK Membership of the EU*

The result of the June 2016 referendum has triggered political and regulatory change affecting the whole of the UK economy in the medium to long term. Although the nature of the changes to come remains unclear, it has already created uncertainty in the financial markets, including a significant fall in the value of sterling following the referendum. As an exporting company with net foreign currency receivables the short to medium term effects of the decline in the value of sterling have been positive for the group. The uncertainty however makes it difficult to plan for the medium to long term and any restrictions to free trade or introduction of duties or tariffs which may arise in the years ahead could have a negative impact on the financial performance of the business. The company continues to monitor developments and manage the risks to the business that may flow from the exit of the UK from the EU.

#### Research and development

The group continues to devote significant resources to research and development in order to remain at the forefront of technological innovation within its industry. In the current year expenditure by the group on research and development totalled £10.5m (2017: £8.6m).

#### Financial risk management

##### *Interest rate risk*

If required the group will use external sources, mainly banks, to finance working capital and capital investment in the business. In this scenario the group would be exposed to volatility in interest rates and formal hedging considered to manage such exposure.

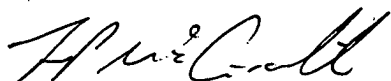
##### *Currency risk*

The group is exposed to market risks arising from international business. The group enters into forward currency arrangements to hedge against exposure to fluctuations in exchange rates. The group also has transactional currency exposures arising from international trade. The group also attempts to minimise the exposure of overseas income with purchases made in the same currencies as far as is practically possible.

##### *Credit risk*

The group is exposed to credit related losses in the event of non-performance by customers. To minimise such risks the group maintains credit insurance and endeavours to trade with organisations with high credit ratings.

On behalf of the Board



J P McGrath  
Director

25 October 2018

Station Works  
Camlough Road  
Newry  
Co. Down, BT35 6JP



# Norbrook Laboratories Limited

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

The directors are responsible for preparing the directors' report, strategic 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 they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

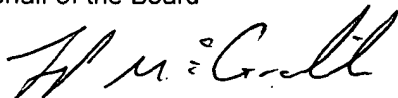
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company and of its profit or loss for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



J P McGrath  
Director

25 October 2018

Station Works  
Camlough Road  
Newry  
Co. Down, BT35 6JP



**KPMG**  
**Audit**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
D02 DE03  
Ireland

## Independent auditors' report to the members of Norbrook Laboratories Limited

### 1 Report on the audit of the financial statements

#### **Opinion**

We have audited the financial statements Norbrook Laboratories Limited ('the company') for the year ended 3 August 2018 set out on pages 11 to 41, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the company's affairs as at 3 August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.



## **Independent auditors' report to the members of Norbrook Laboratories Limited** *(continued)*

### **1 Report on the audit of the financial statements** *(continued)*

#### ***Other information***

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic and directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report on these matters.



## **Independent auditors' report to the members of Norbrook Laboratories Limited** *(continued)*

### **2 Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 7, 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 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.

#### ***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 fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

#### ***The purpose of our audit work and to whom we owe our responsibilities***

Our 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.

**Cliona Mullen (Senior Statutory Auditor)**  
**for and on behalf of KPMG, Statutory Auditor**  
*The Soloist Building*  
*1 Lanyon Place*  
*Belfast*  
*BT1 3LP*

25 October 2018

# Norbrook Laboratories Limited

## Profit and loss account and other comprehensive income for the year ended 3 August 2018

	Note	3 August 2018 £'000	28 July 2017 £'000
<b>Turnover</b>	3	228,695	223,502
Cost of sales		(150,693)	(138,227)
<b>Gross profit</b>		78,002	85,275
Net operating expenses	7	(51,627)	(43,878)
<b>Operating profit</b>		26,375	41,397
Income from shares in group undertakings	8a	13,171	-
Interest payable and similar charges	8b	(1,515)	(1,728)
<b>Profit on ordinary activities before taxation</b>		38,031	39,669
Tax charge on profit on ordinary activities	9	(3,717)	(6,774)
<b>Profit for the financial year</b>		34,314	32,895
<b>Other comprehensive income for the year, net of income tax</b>			
Effective position of changes in fair value of cash flow hedges		(65)	(2,122)
Net changes in fair value of cashflow hedges recycled to profit or loss		(807)	5,652
Income tax on items included in other comprehensive income	9	177	(640)
<b>Total comprehensive income for the year</b>		33,619	35,785

All reported results arise from continuing operations.

The notes on pages 15 to 41 form part of these financial statements.

# Norbrook Laboratories Limited

## Balance sheet

as at 3 August 2018

	Note	3 August 2018 £'000	3 August 2018 £'000	28 July 2017 £'000	28 July 2017 £'000
<b>Fixed assets</b>					
Intangible assets	12	115		184	
Tangible assets	13	66,483		61,223	
Investment properties	14	400		1,559	
Investments	15	3,779		124	
			<b>70,777</b>		<b>63,090</b>
<b>Current assets</b>					
Stocks	16	37,183		32,761	
Debtors	17	54,995		52,088	
Cash at bank and in hand		8,462		18,200	
		<b>100,640</b>		<b>103,049</b>	
<b>Creditors:</b> amounts falling due within one year	18	<b>(58,725)</b>		<b>(76,452)</b>	
<b>Net current assets</b>			<b>41,915</b>		<b>26,597</b>
<b>Total assets less current liabilities</b>			<b>112,692</b>		<b>89,687</b>
<b>Creditors:</b> amounts falling due after more than one year	19		<b>(10,000)</b>		<b>(10,000)</b>
<b>Provisions for liabilities and charges</b>	23		<b>(2,285)</b>		<b>(1,690)</b>
<b>Accruals and deferred income</b>	24		<b>(1,172)</b>		<b>(2,381)</b>
<b>Net assets</b>			<b>99,235</b>		<b>75,616</b>
<b>Capital and reserves</b>					
Called up share capital	25		1,294		1,294
Capital redemption reserve			306		306
Capital contribution reserve			3,665		-
Revaluation reserve			120		99
Cashflow hedging reserve			(1,181)		(457)
Profit and loss account			95,031		74,374
<b>Shareholders' funds</b>			<b>99,235</b>		<b>75,616</b>

These financial statements were approved by the board of directors on 25 October 2018 and signed on its behalf by:



J P McGrath  
Director

25 October 2018

The notes on pages 15 to 41 form part of these financial statements.

Company registration number: NI 007665

## Norbrook Laboratories Limited

### Statement of changes in equity for the year ended 3 August 2018

	Called up share capital £'000	Capital reserve £'000	Cashflow hedging reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 29 July 2016	1,294	306	(3,347)	107	56,471	54,831
<b>Total comprehensive income for the period</b>						
Profit	-	-	-	-	32,895	32,895
Effective portion of changes in fair value of cash flow hedges	-	-	(2,122)	-	-	(2,122)
Net changes in fair value of cashflow hedges recycled to profit or loss	-	-	5,652	-	-	5,652
Income tax on items included in comprehensive income	-	-	(640)	-	-	(640)
Transfer	-	-	-	(8)	8	-
<b>Total comprehensive income for the period</b>	-	-	2,890	(8)	32,903	35,785
<b>Transactions with owners, recorded directly in equity</b>						
Dividends	-	-	-	-	(15,000)	(15,000)
<b>Balance at 28 July 2017</b>	1,294	306	(457)	99	74,374	75,616

The notes on pages 15 to 41 form part of these financial statements.

# Norbrook Laboratories Limited

## Statement of changes in equity (continued)

	Called up share capital £'000	Capital reserve £'000	Capital contribution reserve £'000	Cashflow hedging reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 28 July 2017	1,294	306	-	(457)	99	74,374	75,616
<b>Total comprehensive income for the period</b>							
Profit	-	-	-	-	-	34,314	34,314
Effective portion of changes in fair value of cash flow hedges	-	-	-	(65)	-	-	(65)
Net changes in fair value of cashflow hedges recycled to profit or loss	-	-	-	(807)	-	-	(807)
Income tax on items included in comprehensive income	-	-	-	148	29	-	177
Transfer	-	-	-	-	(8)	8	-
<b>Total comprehensive income for the period</b>	-	-	-	(724)	21	34,322	33,619
<b>Transactions with owners, recorded directly in equity</b>							
Dividends	-	-	-	-	-	(13,665)	(13,665)
Capital contribution received	-	-	3,665	-	-	-	3,665
<b>Balance at 3 August 2018</b>	<b>1,294</b>	<b>306</b>	<b>3,665</b>	<b>(1,181)</b>	<b>120</b>	<b>95,031</b>	<b>99,235</b>

The notes on pages 15 to 41 form part of these financial statements.



# Norbrook Laboratories Limited

## Notes

*forming part of the financial statements*

### **1 Accounting reference date**

The accounting reference date of the company is the Friday nearest to 31 July. Accordingly these financial statements have been prepared for the year ended 3 August 2018.

### **2 Accounting policies**

Norbrook Laboratories Limited (the "company") is a company limited by shares and incorporated and domiciled in the United Kingdom.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

#### ***Basis of preparation***

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company's ultimate parent undertaking, Norbrook Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Norbrook Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Norbrook Holdings Limited include the equivalent disclosures, the company has also taken the exemption under FRS102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### **Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value through profit and loss: derivative financial instruments and investment property.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The overall position of the company is that it has considerable financial resources together with investments and established relationships with customers and suppliers across different geographic areas.

The directors recognise that the company's future performance will be influenced by the macro-economic, financial, and credit conditions, which are outside of the company's control. Based on all of the information available, including forecasts and projections, the directors believe that the adverse current economic conditions will not significantly impact on the company's ability to continue in operational existence for the foreseeable future.

The directors consider that the company has sufficient reserves, financing and debt facilities available to meet its future requirements. The directors also consider that the ultimate parent undertaking, Norbrook Holdings Limited, has sufficient reserves and facilities available to support the company meet its future requirements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### ***Classification of financial instruments issued by the Company***

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### ***Basic financial instruments***

##### ***Trade and other debtors/creditors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### ***Interest-bearing borrowings classified as basic financial instruments***

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### ***Investments in preference and ordinary shares***

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### **Other financial instruments**

*Financial instruments not considered to be basic financial instruments (other financial instruments):* Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

#### **Derivative financial instruments and hedging**

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### **Cash flow hedges**

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### **Taxation**

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Liabilities for uncertain tax positions are recognised based on the directors' best probability weighted estimate of the probable outflows of economic resources that will be required to settle the liability.

# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### *Taxation (continued)*

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the entity's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

There are many transactions for which the ultimate tax determination is uncertain. The Company recognises liabilities based on estimates of whether additional taxes will be due. Once it has been concluded that a liability needs to be recognised, the liability is measured based on the tax laws that have been enacted or substantially enacted at the end of the reporting period. The amount shown for current taxation includes a liability for tax uncertainties and is based on the directors' best probability weighted estimate of the probable outflow of economic resources that will be required to settle the liability. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### *Intangible fixed assets*

Internally generated intangible fixed assets including research and development expenditure are written off to the profit and loss account in the year in which the expenditure is incurred. Intangible fixed assets representing purchased intellectual property is carried at amortised cost. Amortisation is reflected in the profit and loss account over the useful economic life of the assets, when they come into use. Amortisation is applied for each asset on a straight line basis over the following useful lives:

Intellectual property	10 years
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# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at historical cost less accumulated depreciation.

No depreciation is provided on freehold land. The charge for depreciation is calculated to write down the cost or revalued amount of tangible fixed assets over their expected useful lives to their estimated residual values, at the following annual rates:

Industrial buildings	-	2% straight line
Short leasehold	-	Remaining life of lease
Other buildings and property	-	Useful life in excess of 100 years (which makes depreciation nominal)
Plant and machinery	-	7% - 33% straight line
Transport	-	20% - 33% straight line

Tangible fixed assets are now depreciated on a straight line basis following a change in accounting estimate from reducing balance methodology. This change increased depreciation in 2018 by £2.7m and is expected to increase depreciation going forward by £0.3m in 2019.

Original cost includes labour and overheads incurred by the company in bringing the assets to a location and condition ready for use.

Provision is also made for any impairment of tangible fixed assets below their carrying amounts.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- i investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

#### ***Research and development expenditure***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### ***Government grants***

Capital based government grants are included within accruals and deferred income and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate or in periods in which the related costs are incurred. The estimated useful economic lives were updated in 2018 in line with the change in accounting estimate in depreciation from reducing balance to straight line. This increased the deferred income credited to the profit and loss account in 2018 by £1.0m. No further increase is expected going forward.

# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### ***Impairment excluding stocks, investment properties and deferred tax assets***

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit". An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. The cost of raw materials and packing is represented by invoice price, but excludes freight. The cost of work-in-progress and finished goods includes direct materials, labour, overheads and an element of indirect factory overheads.

#### *Expenses*

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method, unwinding of discount on provisions and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

##### *Hire purchase contracts*

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the hire purchase obligations are charged to the profit and loss account at a constant rate of return on the carrying amount of the liability.



# Norbrook Laboratories Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### *Employee benefits*

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Long term incentive plans*

The Company operates a cash based long term incentive plan in respect of certain employees. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The company operates another long term benefit plan in respect of certain employees. The cost of the plan is determined at inception and is expensed to the profit and loss account on a straight line basis over the vesting period. The estimated final cost of the plan is revised at each reporting period and any change in the liability is recognised in the profit and loss account in the period in which the reassessment occurs.

#### *Revenue recognition*

Turnover in respect of the sale of goods is recognised on the date of despatch of the goods from the company's premises. Turnover excludes value added tax, trade discounts and rebates.

Turnover in respect of other services provided by the company is recognised on the date of delivery of the service or the date the obligation to perform the service expires.

Revenue in respect of rental of the company's premises is recognised in other income on a straight line basis over the period during which the premises are provided.

### 3 Turnover and profit analyses

The turnover and profit before taxation are attributable to the principal activities of the company.

Analyses of turnover and profit by geographical area are not included as the directors consider that this would be seriously prejudicial to the interests of the company.

### 4 Other operating income

Other operating income includes rental and other sundry income and is included within net operating expenses (note 7).

# Norbrook Laboratories Limited

## Notes (continued)

### 5 Expenses and auditors' remuneration note

	3 August 2018 £'000	28 July 2017 £'000
<i>Included in profit/loss are the following:</i>		
Depreciation of tangible fixed assets		
- owned	7,326	4,918
- leased	69	109
Amortisation of intangible fixed assets	69	69
Research and development expenditure	10,551	8,634
Operating lease rentals		
- non-property	69	542
- property	113	108
Government grants		
- revenue	(150)	(2)
- capital grant release	(1,209)	(176)
Labour and overhead capitalised	(694)	(843)
(Gain)/loss on disposal of fixed assets	(829)	(154)

	3 August 2018 £'000	28 July 2017 £'000
<i>Auditors' remuneration</i>		
- audit	51	51
- tax services	282	131
- other services	461	161

### 6 Staff numbers and costs

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

	3 August 2018 No	28 July 2017 No
Management	15	13
Administration	226	271
Production and sales staff	1,373	1,413
	<b>1,614</b>	<b>1,697</b>

# Norbrook Laboratories Limited

## Notes (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	3 August 2018 £'000	28 July 2017 £'000
Wages and salaries	57,873	51,605
Social security costs	4,891	4,852
Pension costs	1,214	903
	<u>63,978</u>	<u>57,360</u>

The total amount of labour and overheads capitalised in the year was £0.7m (2017: £0.8m). Further details on directors' remuneration is set out in note 10.

### 7 Net operating expenses

	3 August 2018 £'000	28 July 2017 £'000
Selling and distribution expenses	12,056	11,312
Administrative expenses	41,165	32,952
Other income	(1,594)	(386)
	<u>51,627</u>	<u>43,878</u>

### 8a Income from shares in group undertakings

	3 August 2018 £'000	28 July 2017 £'000
Dividend Income	13,171	-
	<u>13,171</u>	<u>-</u>

### 8b Interest payable and similar charges

	3 August 2018 £'000	28 July 2017 £'000
Interest payable on bank loans and overdrafts	452	594
Interest payable on other loans	1	271
Finance charges payable in respect of hire purchase contracts	2	5
Interest on tax payable/(receivable)	168	(178)
Net interest charged by related parties	1,060	902
Net exchange (gain)/loss	(187)	134
PAYE/NIC Surcharge	19	-
	<u>1,515</u>	<u>1,728</u>

## Notes (continued)

	3 August 2018			28 July 2017		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in profit and loss account	5,063	(1,346)	3,717	6,823	(49)	6,774
Recognised in other comprehensive income	-	(177)	(177)	-	640	640
<b>Total tax</b>	<b>5,063</b>	<b>(1,523)</b>	<b>3,540</b>	<b>6,823</b>	<b>591</b>	<b>7414</b>

# Norbrook Laboratories Limited

## Notes (continued)

### 9 Tax on profit on ordinary activities (continued)

The tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	3 August 2018 £'000	28 July 2017 £'000
<i>Tax reconciliation</i>		
Profit on ordinary activities before tax	38,031	39,669
	<hr/>	<hr/>
Current tax at 19.00% (2017: 19.67%)	7,226	7,801
<i>Effects of:</i>		
Expenses not deductible for tax purposes	317	162
Impact of changes in tax rates	132	(114)
Adjustments to tax charge in respect of previous periods	(182)	112
Timing difference in respect of fair value of cash flow hedges	(148)	641
Research and development tax reliefs	(1,234)	(1,176)
Group relief	-	(2)
Non-taxable income	(2,542)	(9)
Income tax relief	(29)	(1)
	<hr/>	<hr/>
<b>Total tax charge</b>	<b>3,540</b>	<b>7,414</b>

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets or held over into depreciating replacement assets but with the expectation of rolling over the gain into future expenditure on qualifying assets. Such tax would only become payable if the replacement property were sold without it being possible to claim further rollover relief. The total amount unprovided for is £2.67m (2017: £2.57m). At present, it is not envisaged that any of this amount will become payable in the foreseeable future.

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2016. Finance Bill 2018 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2017. Together this will reduce the company's future tax charges accordingly.

# Norbrook Laboratories Limited

## Notes (continued)

<b>10 Remuneration of directors</b>	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
Fees	160	173
Directors' emoluments	2,213	2,709
Amounts receivable under long term incentive schemes	4,125	1,629
Benefits in kind	6	92
	<hr/>	<hr/>
	6,504	4,603
Company contributions to money purchase/ self administered pension schemes	7	5
	<hr/>	<hr/>
	6,511	4,608
	<hr/>	<hr/>

The aggregate of remuneration including amounts receivable under long term incentive schemes of the highest paid director was £4.4m (2017: £2.4m). There was 1 director (2017: 1 director) accruing benefits under money purchase pension schemes.

## 11 Related party disclosures and key management personnel

The Lord Ballyedmond Family Trust is the immediate and ultimate controlling party of Norbrook Laboratories Limited. Lady Ballyedmond has an interest in 21% of the share capital of Norbrook Holdings Limited by virtue of her holding of 156,547 A ordinary shares of £1 each and 60,391 B ordinary shares of £1 each. Lady Ballyedmond also holds 10,000,000 C redeemable preference shares of £1 each. The ultimate parent undertaking is Norbrook Holdings Limited, a company incorporated in the United Kingdom.

Under FRS 102, transactions between group undertakings are not disclosed as the company is a 100% subsidiary.

### *Transactions with key management personnel*

Key management in the current and prior years are considered to be the board of directors. Details of directors' remuneration (which is also the remuneration of key management personnel) is set out in note 10.

### *Transactions with other related parties*

Benefits in kind relating to the use of tangible fixed assets and investments by the directors totalling £Nil (2017: £29k) are included within remuneration of directors.

Following the transfer of Lady Ballyedmond's loan due to the company to Norbrook Holdings Limited, amounts receivable from Lady Ballyedmond to the company at 3 August 2018 were £9k (2017: £43k payable by the company to Lady Ballyedmond).

# Norbrook Laboratories Limited

## Notes (continued)

### 11 Related party disclosures and key management personnel (continued)

At 3 August 2018 Corby Castle Estates LLP and Ballyedmond Castle Estates LLP, entities in which Lady Ballyedmond is a partner, owed the Company £Nil (2017: £2k) and £12k (2017: £49k) respectively. During 2018 the Company sold fixed assets to Ballyedmond Castle Estates LLP which had a value of £Nil (2017: £38k), Corby Castle Estates LLP which had a value of £1,851k (2017: £83k) and Lady Ballyedmond which had a value of £3k (2017: £141k).

### 12 Intangible fixed assets

	Intellectual property £'000
<b>Cost</b>	
At 28 July 2017	751
	<hr/>
<b>At 3 August 2018</b>	<b>751</b>
	<hr/>
<b>Amortisation</b>	
At 28 July 2017	567
Charge for the year	69
	<hr/>
<b>At 3 August 2018</b>	<b>636</b>
	<hr/>
<b>Net book value</b>	
At 3 August 2018	115
	<hr/>
	<hr/>
At 28 July 2017	184
	<hr/>
	<hr/>

# Norbrook Laboratories Limited

## Notes (continued)

### 13 Tangible fixed assets

	Land and Buildings £'000	Plant and machinery £'000	Transport £'000	Total £000
<b>Cost</b>				
At 28 July 2017	39,677	85,786	2,429	127,892
Additions	2,996	10,190	11	13,197
Disposals	(406)	(553)	(304)	(1,263)
<b>At 3 August 2018</b>	<b>42,267</b>	<b>95,423</b>	<b>2,136</b>	<b>139,826</b>
<b>Depreciation</b>				
At 28 July 2017	8,947	55,926	1,796	66,669
Charged during year	552	6,333	510	7,395
On disposals	(81)	(359)	(281)	(721)
<b>At 3 August 2018</b>	<b>9,418</b>	<b>61,900</b>	<b>2,025</b>	<b>73,343</b>
<b>Net book value</b>				
<b>At 3 August 2018</b>	<b>32,849</b>	<b>33,523</b>	<b>111</b>	<b>66,483</b>
At 28 July 2017	30,730	29,860	633	61,223

#### Leased transport assets

At 3 August 2018 the net carrying amount of transport assets leased under a finance lease was £Nil (2017: £0.25m).

	3 August 2018 £'000	28 July 2017 £'000
<i>The net book value of land and buildings comprises:</i>		
Freehold	32,849	30,730
Short leasehold		
	<b>32,849</b>	<b>30,730</b>



# Norbrook Laboratories Limited

## Notes (continued)

<b>14 Investment property</b>	<b>£'000</b>
At 28 July 2017	1,559
Additions	-
Revaluation	218
Disposals	(1,377)
	<hr/>
<b>At 3 August 2018</b>	<b>400</b>
	<hr/>

£Nil (2017: £1.2m) of investment property reflects the directors' estimate of fair value by reference to a valuation by an external, independent valuer, having appropriate recognised professional qualification and recent experience in the location and class of property being valued. Other investment property is valued by the directors.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

<b>15 Investments</b>	<b>Shares in Subsidiary Undertakings £'000</b>
<b>Cost and net book value</b>	
At 28 July 2017	124
Additions	3,665
Disposals	(10)
	<hr/>
<b>At 3 August 2018</b>	<b>3,779</b>
	<hr/>

In the opinion of the directors the shares in subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Additions during 2018 are in relation to capital contributions made by Norbrook Laboratories Limited to Norbrook Laboratories (Ireland) Limited.

Disposals represent the removal of shares in Ballyedmond Castle Farms Limited due to it becoming dormant during 2018 and subsequently entering a members voluntary liquidation.

# Norbrook Laboratories Limited

## Notes (continued)

### 15 Investments (continued)

The company's investments comprise shares in subsidiary undertakings and other investments.

The undertakings in which the company's interest is more than 10% are as follows:

<b>Name and registered office</b>	<b>Country of registration or incorporation</b>	<b>Principal Activities</b>	<b>Class and percentage of shares held</b>
Haughey Air Limited Station Works Camlough Rd Newry Co Down BT35 6JP	Northern Ireland	Asset holding	100% ordinary Shares
Norbrook Laboratories (GB) Limited 1 Saxon Way East Corby Northamptonshire NN18 9EX	England	Marketing and distribution of veterinary pharmaceutical products	100% ordinary Shares
Norbrook Laboratories (Ireland) Limited Rossmore Industrial Estate Monaghan Co. Monaghan	Republic of Ireland	Marketing and distribution of veterinary pharmaceutical products	100% ordinary Shares

All shareholdings are held directly by Norbrook Laboratories Limited.

Ballyedmond Castle Farms Limited and Corby Investments Limited are no longer held as investments due to both entities becoming dormant during 2018 and subsequently entering liquidation.

# Norbrook Laboratories Limited

## Notes (continued)

<b>16 Stocks</b>	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
Raw materials and consumables	25,416	20,370
Work in progress	4,757	3,902
Finished goods	7,010	8,489
	<hr/>	<hr/>
	<b>37,183</b>	<b>32,761</b>
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £94,574k (2017: £86,638k).

The write down of stocks to net realisable value amounted to £11,298k (2017: £6,374k).

The write downs are included in cost of sales.

<b>17 Debtors</b>	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
Amounts falling due within one year:		
Trade debtors	19,526	19,376
Amounts owed by subsidiary undertakings	7,441	1,229
Amounts owed by related undertakings	22,384	28,713
Amounts owed by related parties	21	8
Prepayments and accrued income	2,242	1,454
Other debtors	1,342	441
VAT recoverable	2,039	867
	<hr/>	<hr/>
	<b>54,995</b>	<b>52,088</b>
	<hr/>	<hr/>

Amounts owed by subsidiary and related undertakings are interest bearing and repayable on demand.

# Norbrook Laboratories Limited

## Notes (continued)

<b>18 Creditors:</b> amounts falling due within one year	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
<b><i>Loans and other borrowings</i></b>		
Bank overdrafts	-	4,967
Bank loans	-	15,466
Obligations under hire purchase contracts	-	208
	<hr/>	<hr/>
	-	20,641
	<hr/>	<hr/>
<b><i>Other creditors</i></b>		
Trade creditors	11,572	7,910
Other creditors	1,918	1,699
Taxation and social security	2,142	2,787
Amounts owed to related undertakings	25,393	30,399
Other financial liabilities	1,425	552
Accruals	16,275	12,464
	<hr/>	<hr/>
	58,725	76,452
	<hr/>	<hr/>
<b><i>Taxation and social security comprises:</i></b>		
Corporation tax	2,142	1,349
Social security	-	1,438
	<hr/>	<hr/>
	2,142	2,787
	<hr/>	<hr/>

The bank overdrafts and loans in the prior year were secured by fixed and floating charges over certain of the group's and the company's property, assets and undertakings, including without limitation a fixed charge over the properties, the plant and machinery and the intellectual property.

Included within bank overdrafts in the prior year was invoice discounting with recourse of £Nil (2017: £Nil) secured by a fixed and floating charge over the trade debts of the company. The group's invoice discounting, overdraft and loan facilities are expected to continue to be available on existing terms for the foreseeable future.

Amounts owed to related undertakings are interest bearing, unsecured and are not subject to any specific repayment terms. The amounts included above are the directors' best estimate of the amounts expected to fall due within one year.

# Norbrook Laboratories Limited

## Notes (continued)

<b>19 Creditors:</b> amounts falling due after more than one year	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
<b>Loans and other borrowings</b>		
Amounts owed to parent undertaking	10,000	10,000
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>

Amounts owed to related undertakings (due after more than one year) are interest bearing, unsecured and repayable in 2022 (see note 20).

## 20 Interest bearing loans and borrowings

This note provides information about the contractual terms of the company's interest bearing borrowings, which are measured at amortised cost.

	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
<b>Creditors:</b> amounts falling due within less than one year		
Bank overdrafts	-	4,967
Bank loans	-	15,466
Amounts owed to related undertakings	25,393	30,399
	<hr/>	<hr/>
	25,393	50,832
	<hr/>	<hr/>
	<b>3 August 2018 £'000</b>	<b>28 July 2017 £'000</b>
<b>Creditors:</b> amounts falling due after more than one year		
Amounts owed to parent undertaking	10,000	10,000
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>

# Norbrook Laboratories Limited

## Notes (continued)

### 20 Interest bearing loans and borrowings (continued)

#### Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Repayment schedule	2018 £'000	2017 £'000
Bank overdrafts	Libor + 1.90%	N/A	Repayable on demand	-	4,967
Bank loans	Libor + 2.15%	2018	Quarterly principal interest with and lump sum on maturity	-	15,466
Amounts owed to related undertakings	Libor + 3.15%	N/A	Repayable on demand	25,393	30,399
Amounts owed to related undertakings	Libor + 3.15%	2022	On maturity	10,000	10,000
				<b>35,393</b>	<b>60,832</b>

All of the above balances are denominated in £GBP

### 21 Other interest bearing loans and borrowings

	Minimum lease payments 3 August 2018 £'000	Minimum lease payments 28 July 2017 £'000
Less than one year	-	208
Between two and five years	-	-
	-	208

### 22 Other financial liabilities

	3 August 2018 £'000	28 July 2017 £'000
Amounts falling due within one year		
Financial liabilities held for trading – forward currency contracts	1,425	552
	<b>1,425</b>	<b>552</b>

# Norbrook Laboratories Limited

## Notes (continued)

### 23 Provisions for liabilities and charges

	3 August 2018 £'000	28 July 2017 £'000
Deferred tax (asset/liability (note A))	167	1,690
Other provisions (note B)	2,118	-
	<u>2,285</u>	<u>1,690</u>

Deferred tax assets and liabilities (Note A)	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	-	-	1,939	2,144	1,939	2,144
Revaluation of investment properties	-	-	36	65	36	65
Other timing differences	(1,566)	(425)	-	-	(1,566)	(425)
Fair value derivatives	(242)	(94)	-	-	(242)	(94)
	<u>(1,808)</u>	<u>(519)</u>	<u>1,975</u>	<u>2,209</u>	<u>167</u>	<u>1,690</u>

The net reversal of deferred tax liabilities expected to occur in the next reporting period amounts to £167k (2017: c£68k).

### Other provisions (note B)

	3 August 2018 £'000	28 July 2017 £'000
Opening provision	-	-
Charge to profit and loss during year	1,802	-
Unwinding of discount	315	-
	<u>2,118</u>	<u>-</u>

During the year the company implemented a long term employee benefit plan ("the plan"), in which, executive directors are eligible to participate. Amounts payable under the plan are subject to a long stop date for each director which is limited to the length of service by that director.

The cost of the plan is spread over the period from commencement to the long stop date. The cost is charged on a straight line basis and remeasured at each reporting date with any change to the expected settlement amount over the vesting period recognised in the profit and loss account.

A discount rate of 5% has been applied to the expected final liability on settlement to reflect present value. This discount will unwind over the vesting period through a financing charge in the profit and loss account.

# Norbrook Laboratories Limited

## Notes (continued)

### 23 Provisions for liabilities and charges (continued)

Amounts payable are based on the excess of the value of the company at the long stop date, over a set threshold. The value of the company at the long stop date is derived using a set methodology based on an estimate of the company future trading performance and was estimated at the inception of the plan and updated to reflect any change in forecasts at the reporting date. A number of significant estimates and judgements are required to be made in arriving at a forecasted group valuation. The inherent judgement involved may cause significant adjustments in the recorded liability in future periods if actual results differ from expectations.

The plan contains a number of triggering events which may result in the amount payable under the plan crystallising in advance of the long stop dates specified in the contractual agreements. The board and management monitor events and conditions on an ongoing basis and consider the likelihood and probability of any triggering events which may result in an adjustment to the recorded provision to reflect the most likely outcome and timing of settlement.

### 24 Accruals and deferred income

	3 August 2018 £'000	28 July 2017 £'000
<i>Government grants</i>		
At beginning of year	2,381	2,557
Credited to profit and loss account	(1,209)	(176)
<b>At end of year</b>	<b>1,172</b>	<b>2,381</b>

### 25 Capital and reserves

	3 August 2018 £'000	28 July 2017 £'000
<i>Share capital allotted, called up and fully paid</i>		
Ordinary shares of £1 each		
At beginning of year	1,294	1,294
<b>At end of year</b>	<b>1,294</b>	<b>1,294</b>



# Norbrook Laboratories Limited

## Notes (continued)

### 25 Capital and reserves (continued)

#### *Revaluation reserve*

The transfer between the revaluation reserve and the profit and loss reserve represents the excess depreciation charged in the year on revalued fixed assets.

#### *Capital reserve*

The capital reserve is a capital redemption reserve that arose on the repurchase and cancellation by the company of 47,334 ordinary shares of £1 each in 1998 and the purchase and cancellation of 258,894 own shares by the company on 23 November 2015.

#### *Capital contribution reserve*

The capital contribution reserve arose as a result of the purchase of an intercompany receivable by a subsidiary undertaking from a fellow group company on the instruction of its ultimate parent undertaking.

#### *Cash flow hedging reserve*

The hedging reserve comprises the effective portion of the cumulative charge in the fair value of cash flow hedging investments related to hedged transaction that have not yet accrued.

### 26 Commitments

#### *Capital commitments*

The company had a contracted capital commitment at year end of £5.5m (2017: £3.6m).

#### *Financial commitments*

There were no contracted financial commitments at either year end.

#### *Operating lease commitments*

Annual commitments in respect of non-cancellable operating leases (non-property) are as follows:

	3 August 2018 £'000	28 July 2017 £'000
Expiring within:		
One year	21	48
Two to five years	21	7
	<hr/>	<hr/>
	42	55
	<hr/>	<hr/>

# Norbrook Laboratories Limited

## Notes (continued)

### 26 Commitments (continued)

Annual commitments in respect of non-cancellable operating leases (property) are as follows:

	3 August 2018 £'000	28 July 2017 £'000
Expiring within:		
One year	-	-
Two to five years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

### 27 Contingent liabilities

The company, together with other companies in the group of which the company is a member, has given guarantees to Danske Bank in respect of borrowings of related parties to a maximum of £25m (2017: £25m).

- (i) The company is involved in a number of minor employment and trade related cases which arise in the normal course of business. It is not anticipated that any material liabilities will crystallise in this regard.
- (ii) There is a contingent liability to repay certain revenue and capital government grants, if the conditions attaching to the grants do not continue to be met. These grants amount to £1.2m (2017: £2.4m).
- (iii) From time to time Revenue Authorities dealing with various Norbrook group companies' tax affairs may raise enquiries in respect of compliance with various aspects of the tax code including such matters as transfer pricing and the application of social security rules. The directors do not believe such enquiries will give rise to additional material liabilities and will defend its treatment of such matters.

### 28 Pensions

#### *Money purchase and self administered schemes*

The company operates a money purchase scheme for certain employees of the company. The assets of this scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £1,214k (2017: £903k). There are no further liabilities accruing to the group in respect of pensions other than any payments agreed under the contribution plan.

# Norbrook Laboratories Limited

## Notes *(continued)*

### **29 Ultimate controlling party**

The ultimate controlling party is the Lord Ballyedmond Family Trust.

The results of the company are consolidated in those of Norbrook Holdings Limited, incorporated in the United Kingdom. The consolidated financial statements of this company are available to the public and are attached at Appendix A or, alternatively, may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. No other group financial statements include the results of the company.

### **30 Significant judgements and estimation uncertainty**

In the process of applying the company's accounting policies management are required to make estimates, assumptions and judgements that could materially affect the company's results or net asset position. The areas where key estimates, assumptions and judgements were made by management and are material to the company's reported results and net asset position are as follows:

- Rebates;
- Provisions against inventories and trade receivables;
- Provisions in respect of employee benefit plans; and
- Uncertain tax positions

### **31 Post balance sheet events**

There have been no events subsequent to balance date which would have a material effect on these financial statement.