

Norbrook Laboratories Limited

Directors' report and financial statements

Year ended 29 July 2022

Company registration number: NI007665

Norbrook Laboratories Limited

Directors' report and financial statements

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Norbrook Laboratories Limited

Directors and other information

Directors

L Nagle – Chief Executive (Chair)
Lady M Ballyedmond
The Hon CP Braid
P Johnston
The Hon EGS Haughey
Prof The Hon JQS Haughey
K Holland
Sir I Gibson
K Kingston
P W Magner

Secretary

M P Murdock

Auditors

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

Bankers

Danske Bank
Donegall Square West
Belfast
BT1 6JS

Solicitors

Arthur Cox
Victoria House
Gloucester Street
Belfast, BT1 4LS

Registered office

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

Subsidiary undertakings

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 29 July 2022.

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 8.

Directors

The directors who held office during the year were:

L Nagle – Chief Executive (Chair)
Lady M Ballyedmond
The Hon CP Braid (appointed 30 March 2022)
P Johnston
The Hon EGS Haughey
Prof The Hon JQS Haughey
K Holland (appointed 11 March 2022)
Sir I Gibson
K Kingston (appointed 14 March 2022)
P W Magner

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 do not recommend the payment of a dividend in respect of the year ended 29 July 2022 (2021: £Nil).

Financial instruments

The financial risk management objectives and policies of the company are detailed in the strategic report on pages 4 to 8.

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 (2021: £Nil) during the year. The company incurred no political expenditure in the year (2021: £Nil).

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.

Environment and safety

The company continues to put a high value on the health and safety of its operations and to recognise the importance of minimising the impact of its activities on the environment. Streamlined Energy and Carbon Reporting (SECR) has been disclosed in the financial statements of Norbrook Holdings Limited.

Research and development

Further details in respect of the activities of the company in research and development are set out in the strategic report on pages 4 to 8.

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.

Auditor

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

On behalf of the board



P Johnston
Director

27 October 2022

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 year are set out in the profit and loss account and other comprehensive income on page 15 and in the related notes.

The company had a solid trading performance in FY22, continuing the recovery from FY20 of the manufacturing and supply chain capability back to normalised levels. The first half of FY22 was also characterised by continuing to manage the effects of the coronavirus which are detailed separately below.

Revenue decreased in the year to £190.2m (2021: £195.6m). Operating profits were £15.3m (2021: £17.8m) and profit after tax increased in the year to £24.9m (2021: £14.0m).

Bearing in mind the robustness of demand for the company's products and continued recovery of its manufacturing capability, the directors believe that the strategy being implemented will support growth in both revenue and earnings.

The company retains strong relationships with its key customers and has a strong pipeline of new products under development. The directors are confident that these factors along with additional investment in manufacturing, information technology and management structures will support the achievement of growth targets.

Key performance indicators ("KPIs")

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

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

	2022	2021	Definition, method of calculation and analysis
Movement in sales (%)	(2.8)%	16.7%	Year on year sales movement expressed as a percentage. Sales were flat versus prior year, consolidating the recovery of the manufacturing and supply chain capability back to more normalised levels.
Gross margin (%)	33.4%	32.5%	Gross margin is the ratio of gross profit to sales expressed as a percentage. The increase in gross margin is as a result of decreased waste levels and change in product mix.
Employee numbers	1,488	1,459	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 company's business. The company is a member of a group which maintains an Enterprise Risk Management Team to carry out a detailed review of all the principal risks of all members of the group, including the company, looking in detail at the nature and scale of the risks being taken and the mitigation approaches. The board of the company 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 company's actual results to differ materially from expected results.

Norbrook Laboratories Limited

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

COVID-19

Throughout the COVID-19 pandemic, the priority for the company has been the safety and wellbeing of its employees. The cross-function COVID-19 taskforce continued to meet for most of FY22 to review the measures which were implemented in FY20, including COVID-19 testing of employees and all visitors and contractors coming on site.

Between March 2020 and July 2022, the group of which the company is a member has incurred in excess of £3m on COVID-19 related expenditure and conducted over 31,000 COVID-19 tests on employees and contractors.

Following the successful rollout of the vaccination campaign and the lifting of COVID-19 restrictions in early 2022, the group of which the company is a member has eliminated most of the measures previously adopted, including testing, social distancing and the mandatory wearing of masks. Notwithstanding this, the company has retained the capacity to return to restrictions, if required.

Manufacturing and supply chain

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, technical manufacturing issues or environmental issues. Any significant manufacturing or logistical disruptions could affect the company'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 company 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 company'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 company and related companies operate. In addition the manufacture of many of the company'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 company and related companies are subject to employment and health and safety legislation in those countries in which there are operations.

Norbrook Laboratories Limited

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

Industry competitive factors

The dynamics of the animal health industry include 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 group of which the company is a member operates in a wide range of countries, products and therapeutic areas. In addition the group of which 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 in improving alignment between IT and business strategy.

Organisational growth

The fast-growing pace of the pharmaceutical industry 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.

UK withdrawal from the EU

The group of which the company is a member currently operates under the Northern Ireland Protocol, whereby EU pharmaceutical law applies to Northern Ireland. This provides the basis for the business to continue to supply our EU customers directly from our Newry based manufacturing and laboratory facilities. Notwithstanding this, the group of which the company is a member has taken steps to mitigate risk associated with this situation no longer being the case.

While continued uncertainty around the future of the protocol is an undesirable distraction, the directors are confident that the business will be able to manage through any additional challenges which are presented.

Research and development

The company 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 company on research and development totalled £9.9m (2021: £9.7m).

Financial risk management

Interest rate risk

If required the company will use external sources, mainly banks, to finance working capital and capital investment in the business. In this scenario the company would be exposed to volatility in interest rates and formal hedging would be considered to manage such exposure. Current exposure to interest rate risk is low due to external borrowing not being utilised at year end and subsequent to year end.

Norbrook Laboratories Limited

Strategic report *(continued)*

Financial risk management *(continued)*

Currency risk

The company is exposed to market risks arising from international business. The company enters into forward currency arrangements to hedge against exposure to fluctuations in exchange rates (see note 22). The company also has transactional currency exposures arising from international trade. The company 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 company is exposed to credit related losses in the event of non-performance by customers. To minimise such risks the company maintains credit insurance and endeavours to trade with organisations with high credit ratings.

Cashflow risk

In the event of a significant reduction in business activity impacting revenue and profitability there is a risk that the company's cash reserves could decrease over time. To mitigate this risk, the business carefully manages and monitors its current and future cash utilisation to ensure that the business has sufficient cash reserves to operate normally. In addition, the company and the group have ready access to substantial debt capacity.

Section 172 compliance statement

The Directors have acted in good faith to promote the success of the company for the benefit of its members as a whole. In doing so, they have given regard, amongst other matters, to the following matters set out in Section 172(1)(a) to (f) of the Companies Act 2006:

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

An explanation of how the views of stakeholders have been taken into account in the Board's decision making during the period is detailed below.

Employees

The company uses an increased range of communication channels to keep its employees involved in the company's affairs to engage them and keep them informed and appraised on performance and other business related matters. The company continues to oppose all forms of unlawful and unfair discrimination. It remains the company's policy to promote equality of opportunity for all our employees during their employment.

Engagement with suppliers, customers and others in a business relationship with the company

The company recognises that it plays an important role in relation to many other stakeholders, including suppliers, customers and others who benefit directly or indirectly from its products and services. The company is particularly aware of its responsibilities to maintain high standards in all aspects of its business. The company regularly interacts with these stakeholders to understand their views and communicate the company's strategy and policies.

Norbrook Laboratories Limited

Strategic report *(continued)*

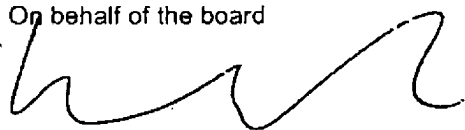
Going concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the strategic report and the directors' report. The overall position of the group of which the company is a member 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 the information available including company forecasts and projections, the directors believe that 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 financing and debt facilities available to meet its future requirements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board



P Johnston
Director

27 October 2022

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

Norbrook Laboratories Limited

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

The directors are responsible for preparing the directors' report, the 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 state of affairs of the company and of the profit or loss of the company 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

On behalf of the board



P Johnston
Director

27 October 2022



KPMG
Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

Independent auditors' report to the members of Norbrook Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Norbrook Laboratories Limited ("the company") for the year ended 30 July 2021 set out on pages 15 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 financial statements give a true and fair view of the state of the company's affairs as at 30 July 2021 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with 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.

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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



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

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

Conclusions relating to going concern *(continued)*

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 the date when the financial statements are authorised for issue.

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The company is subject to many other laws and regulations 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. The company is involved in the manufacture and distribution of veterinary pharmaceutical products and within this sector we identified non-compliance with the relevant regulatory bodies as an area most likely to have such an effect.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address relevant fraud risks including the risk of management override of controls and the risk of bias in accounting for revenue cut-off which can have a significant impact on reported results.



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

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

Detecting irregularities including fraud *(continued)*

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of 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 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.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- 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.



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

Report on the audit of the financial statements. (continued)

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 in these respects.

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 9, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view, 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; 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 they 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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.



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

Respective responsibilities and restrictions on use *(continued)*

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.

28 October 2022

Keith Watt (*Senior Statutory Auditor*)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Norbrook Laboratories Limited

Profit and loss account and other comprehensive income for the year ended 29 July 2022

	Note	2022 £'000	2021 £'000
Turnover	3	190,227	195,649
Cost of sales		(126,677)	(132,133)
Gross profit		63,550	63,516
Net operating expenses	7	(48,225)	(45,700)
Operating profit		15,325	17,816
Income from shares in group undertakings	8a	10,515	-
Interest receivable/(payable) and similar gains/(charges)	8b	1,090	(1,177)
Profit before taxation		26,930	16,639
Tax on profit	9	(1,993)	(2,631)
Profit for the financial year		24,937	14,008
Other comprehensive income for the year, net of income tax			
Effective portion of changes in fair value of cashflow hedges		(10,435)	2,766
Net changes in fair value of cashflow hedges recycled to profit or loss		(3,348)	(1,434)
Income tax on items included in other comprehensive income	9	2,948	(253)
Total comprehensive income for the year		14,102	15,087

All reported results arise from continuing operations.

The notes on pages 19 to 41 form part of these financial statements.

Norbrook Laboratories Limited

Balance sheet as at 29 July 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Intangible assets	12	366		180	
Tangible assets	13	86,863		78,726	
Investment properties	14	-		-	
Investments	15	3,665		3,675	
			90,894		82,581
Current assets					
Stocks	16	41,175		36,265	
Debtors (includes debtors greater than one year)	17	40,099		49,873	
Cash at bank and in hand		24,639		9,057	
		105,913		95,195	
Creditors: amounts falling due within one year	18	(59,072)		(46,830)	
Net current assets			46,841		48,365
Total assets less current liabilities			137,735		130,946
Creditors: amounts falling due after more than one year	19		(4,105)		(10,000)
Provisions for liabilities and charges	23		(4,155)		(5,406)
Accruals and deferred income	24		(505)		(672)
Net assets			128,970		114,868
Capital and reserves					
Called up share capital	25		1,294		1,294
Capital redemption reserve			306		306
Capital contribution reserve			3,665		3,665
Revaluation reserve			-		-
Cashflow hedging reserve			(7,452)		3,383
Profit and loss account			131,157		106,220
Shareholders' funds			128,970		114,868

These financial statements were approved by the board of directors on 27 October 2022 and signed on its behalf by:



P Johnston
Director

The notes on pages 19 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 29 July 2022

	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 1 August 2020	1,294	306	3,665	2,304	140	92,072	99,781
Total comprehensive income for the year	-	-	-	-	-	14,008	14,008
Effective portion of changes in fair value of cash flow hedges	-	-	-	2,766	-	-	2,766
Net changes in fair value of cashflow hedges recycled to profit or loss	-	-	-	(1,434)	-	-	(1,434)
Income tax on items included in comprehensive income	-	-	-	(253)	-	-	(253)
Transfer	-	-	-	-	(140)	140	-
Total comprehensive income for the year	-	-	-	1,079	(140)	14,148	15,087
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	-	-	-	-
Capital contribution received	-	-	-	-	-	-	-
Balance at 30 July 2021	1,294	306	3,665	3,383	-	106,220	114,868

The notes on pages 19 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 31 July 2021	1,294	306	3,665	3,383	-	106,220	114,868
Total comprehensive income for the year	-	-	-	-	-	24,937	24,937
Effective portion of changes in fair value of cash flow hedges	-	-	-	(10,435)	-	-	(10,435)
Net changes in fair value of cashflow hedges recycled to profit or loss	-	-	-	(3,348)	-	-	(3,348)
Income tax on items included in comprehensive income	-	-	-	2,948	-	-	2,948
Transfer	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(10,835)	-	24,937	128,970
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	-	-	-	-
Capital contribution received	-	-	-	-	-	-	-
Balance at 29 July 2022	1,294	306	3,665	(7,452)	-	131,157	128,970

The notes on pages 19 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 29 July 2022.

2 Accounting policies

Norbrook Laboratories Limited ("the company") is a company limited by shares and incorporated, domiciled and registered in the United Kingdom. The registration number is NI007665 and registered address is Station Works, Camlough Road, Newry, BT35 6JP.

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 year;
- 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.

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 group of which the company is a member 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 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 financing and debt facilities available to 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.

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.

Norbrook Laboratories Limited

Notes (continued)

2 Accounting policies (continued)

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 recognised 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.

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:

- 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.

Norbrook Laboratories Limited

Notes (continued)

2 Accounting policies (continued)

Cash flow hedges (continued)

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.

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.

Norbrook Laboratories Limited

Notes (continued)

2 Accounting policies (continued)

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
-----------------------	----------

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. The company assess at each reporting date whether tangible fixed assets are impaired.

No depreciation is charged 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% - 50% straight line
Transport	- 20% - 33% straight line

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

Investment property

Related to third parties

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, investment properties are remeasured at fair value at the reporting date. Any gains or losses arising from the change in fair value are recognised in the profit and loss account in the period that they arise.

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.

Norbrook Laboratories Limited

Notes (continued)

2 Accounting policies (continued)

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate. Grants relating to revenue expenditure are credited to the profit and loss account on an earned and due for payment basis.

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 weighted average cost. The cost of work-in-progress and finished goods includes direct materials, labour, overheads and an element of indirect factory overheads based on normal operating capacity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

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, net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy), and ineffective portion of losses on derivatives treated as cashflow hedges.

Norbrook Laboratories Limited

Notes (continued)

2 Accounting policies (continued)

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.

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.

Norbrook Laboratories Limited

Notes (continued)

4 Other operating income

Other operating income includes rental income, government grant, RDEC tax credit and other sundry income and is included within net operating expenses (note 7).

5 Expenses and auditors' remuneration note	2022 £'000	2021 £'000
<i>Included in profit/loss are the following:</i>		
Depreciation of tangible fixed assets		
- owned	5,667	5,544
Impairment of tangible fixed assets	441	-
Amortisation of intangible fixed assets	-	-
Research and development expenditure	9,857	9,672
Operating lease rentals		
- non-property	201	83
- property	113	113
Labour and overhead capitalised	(560)	(585)
Loss/(gain) on disposal of fixed assets	105	515
	<hr/>	<hr/>
Auditors' remuneration	2022 £'000	2021 £'000
- audit	81	62
- tax services	111	21
- other services	80	18
	<hr/>	<hr/>

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:

	2022 No.	2021 No.
Management	16	13
Administration	192	188
Production and sales staff	1,280	1,258
	<hr/>	<hr/>
	1,488	1,459
	<hr/>	<hr/>

Norbrook Laboratories Limited

Notes (continued)

6 Staff numbers and costs (continued)	2022 £'000	2021 £'000
<i>The aggregate payroll costs of these persons were as follows:</i>		
Wages and salaries	56,107	52,392
Social security costs	5,201	4,932
Pension costs	2,167	1,936
	<u>63,474</u>	<u>59,260</u>

The total amount of labour and overheads capitalised in the year was £0.6m (2021: £0.6m). Further details on directors' remuneration is set out in note 10.

Other income representing 0.0% of the total staff cost was received in FY22 (FY21: 0.2%), through government assistance.

7 Net operating expenses	2022 £'000	2021 £'000
Selling and distribution expenses	11,542	10,331
Administrative expenses	39,743	38,583
Other income	(3,060)	(3,214)
	<u>48,225</u>	<u>45,700</u>

8a Income from shares in group undertakings	2022 £'000	2021 £'000
Dividend income	10,515	-
	<u>10,515</u>	<u>-</u>

8b Interest (receivable)/payable and similar (gains)/charges	2022 £'000	2021 £'000
Interest payable on bank loans and overdrafts	40	40
Interest on tax payable	(8)	(32)
Net interest charged by related parties	885	868
Net exchange loss/(gain)	(1,923)	295
Other interest	(84)	6
	<u>(1,090)</u>	<u>1,177</u>

Norbrook Laboratories Limited

Notes (continued)

9	Tax on profit on ordinary activities	2022 £'000	2022 £'000	2021 £'000	2021 £'000		
	<i>UK corporation tax</i>						
	Current tax on income for the period	-		424			
	Adjustments in respect of prior periods	(424)		(1,039)			
			(424)		(615)		
	Total current tax credit		(424)		(615)		
	<i>Deferred tax</i>						
	Origination/reversal of timing differences	(1,085)		1,941			
	Adjustment in respect of previous periods	388		397			
	Impact of change in tax rates	166		1,161			
	Total deferred tax (credit)/charge		(531)		3,499		
	Total tax (credit)/charge		(955)		2,884		
		2022 Current tax £000	2022 Deferred tax £000	2022 Total tax £000	2021 Current tax £000	2021 Deferred tax £000	2021 Total tax £000
	Recognised in profit and loss account	(424)	2,417	1,993	(615)	3,246	2,631
	Recognised in other comprehensive income	-	(2,948)	(2,948)	-	253	253
	Total tax	(424)	(531)	(955)	(615)	3,499	2,884

Further details in respect of the deferred tax asset and liability are set out in note 23.

Norbrook Laboratories Limited

Notes (continued)

9 Tax on profit on ordinary activities (continued)

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

	2022 £'000	2021 £'000
<i>Tax reconciliation</i>		
Profit on ordinary activities before tax	26,930	16,639
	<hr/>	<hr/>
Current tax at 19% (2021: 19%)	5,117	3,162
<i>Effects of:</i>		
Expenses not deductible for tax purposes	89	270
Impact of changes in tax rates	165	1,161
Adjustments to tax charge in respect of previous periods	(36)	(642)
Timing difference in respect of fair value of cash flow hedges	(2,619)	253
Research and development tax reliefs	(1,139)	(1,320)
Non-taxable income	(2,532)	-
	<hr/>	<hr/>
Total tax charge	(955)	2,884

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 £4.0m (2021: £4.0m). At present, it is not envisaged that any of this amount will become payable in the foreseeable future.

An increase in the corporation tax rate to 25% (effective 1 April 2023) was substantially enacted on 24 May 2021. On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 July 2022. The potential impact of this change on the deferred tax balances as at 31 July 2022 would be to reduce the deferred tax liability from £4.2m to £2.7m.

Norbrook Laboratories Limited

Notes (continued)

10 Remuneration of directors	2022 £'000	2021 £'000
Fees	100	100
Directors' emoluments	3,205	2,977
Amounts receivable under long term incentive schemes	1,618	672
Benefits in kind	2	12
	<hr/>	<hr/>
	4,925	3,761
Company contributions to money purchase/ self administered pension schemes	38	37
	<hr/>	<hr/>
	4,963	3,798
	<hr/>	<hr/>

The aggregate of remuneration including amounts receivable under long term incentive schemes of the highest paid director was £2,334k (2021: £1,848k).

11 Related party disclosures and key management personnel

The Lord Ballyedmond Family Trust is the ultimate controlling party of Norbrook Laboratories Limited. Lady Ballyedmond has an interest in 21% of the ordinary share capital of Norbrook Holdings Limited by virtue of her holding of 156,547 A ordinary shares of £1 each and 62,359 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.

Amounts receivable from Lady Ballyedmond to the company at 29 July 2022 were £30k (2021: £29k).

At 29 July 2022 Mourneden LLP, an entity in which Lady Ballyedmond is a member, owed the company £nil (2021: £1k).

Norbrook Laboratories Limited

Notes (continued)

12 Intangible fixed assets

	Intellectual property £'000
Cost	
At 31 July 2021	931
Additions	186
	<hr/>
At 29 July 2022	1,117
	<hr/>
Amortisation	
At 31 July 2021	751
Charge for the year	-
	<hr/>
At 29 July 2022	751
	<hr/>
Net book value	
At 29 July 2022	366
	<hr/>
At 31 July 2021	180
	<hr/>

13 Tangible fixed assets

	Land and Buildings £'000	Plant and machinery £'000	Transport £'000	Total £'000
Cost				
At 31 July 2021	47,978	115,446	951	164,375
Additions	2,622	11,750	-	14,372
Disposals	(12)	(2,106)	(441)	(2,559)
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 July 2022	50,588	125,090	510	176,188
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 31 July 2021	12,193	72,508	949	85,650
Charged during year	732	4,933	2	5,667
On disposals	(1)	(1,990)	(441)	(2,433)
Impairment	-	440	-	440
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 July 2022	12,924	75,891	510	89,325
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 29 July 2022	37,664	49,199	-	86,863
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2021	35,786	42,938	2	78,726
	<hr/>	<hr/>	<hr/>	<hr/>

Norbrook Laboratories Limited

Notes (continued)

13 Tangible fixed assets (continued)	2022 £'000	2021 £'000
<i>The net book value of land and buildings comprises:</i>		
Freehold	37,665	35,786
Short leasehold	-	-
	<hr/>	<hr/>
	37,665	35,786
	<hr/>	<hr/>

14 Investment property

The investment property was disposed of during the year to 30 July 2021, the gain on disposal of the property was £41k.

15 Investments

	Shares in subsidiary undertakings £'000
<i>Cost and net book value</i>	
At beginning of year	3,675
Disposals	(10)
	<hr/>
At end of year	3,665
	<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.

Norbrook Laboratories Limited

Notes (continued)

15 Investments (continued)

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

Name and registered office	Country of registration or incorporation	Principal Activities	Class and percentage of shares held
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.

16 Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	29,174	27,618
Work in progress	6,295	4,464
Finished goods	5,706	4,183
	<hr/> 41,175	<hr/> 36,265

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £63,251k (2021: £73,758k).

The write down of stocks to net realisable value is included in cost of sales and amounted to £11,131k (2021: £12,695k).

Norbrook Laboratories Limited

Notes (continued)

17 Debtors	2022 £'000	2021 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	11,076	16,159
Amounts owed by subsidiary undertakings	3,168	5,406
Amounts owed by related undertakings	16,912	15,309
Amounts owed by related parties	30	30
Prepayments and accrued income	3,883	2,898
Other debtors	840	197
VAT recoverable	1,101	1,476
Corporation tax	3,089	3,678
Other financial assets (note 22)	-	4,720
	<u>40,099</u>	<u>49,873</u>

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

18 Creditors	2022 £'000	2021 £'000
<i>Amounts falling due within one year:</i>		
Trade creditors	10,203	10,017
Other creditors	3,899	4,723
Taxation and social security	1,619	1,425
Amounts owed to related undertakings	3,897	18,623
Amounts owed to parent undertaking	21,138	-
Accruals	12,815	11,499
Other financial liabilities (note 22)	5,501	543
	<u>59,072</u>	<u>46,830</u>

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.

Amounts owed to parent undertakings are interest bearing, unsecured and repayable in November 2022 (see note 20).

Norbrook Laboratories Limited

Notes (continued)

19 Creditors: amounts falling due after more than one year	2022 £'000	2021 £'000
Loans and other borrowings		
Amounts owed to parent undertaking	-	10,000
Other financial liabilities (note 22)	4,105	-
	<u>4,105</u>	<u>10,000</u>

Amounts owed to parent undertakings (due after more than one year) are interest bearing, unsecured and repayable in November 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.

	2022 £'000	2021 £'000
Creditors: amounts falling due within less than one year		
Amounts owed to related undertakings	15,035	18,623
Amounts owed to parent undertaking	10,000	-
	<u>25,035</u>	<u>18,623</u>

	2022 £'000	2021 £'000
Creditors: amounts falling due after more than one year		
Amounts owed to parent undertaking	-	10,000
	<u>-</u>	<u>10,000</u>

Norbrook Laboratories Limited

Notes (continued)

20 Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Nominal interest rate	Maturity Date	Repayment schedule	2022 £'000	2021 £'000
Amounts owed to related undertakings	LIBOR / Bank of England + 3.0%	N/A	Repayable on demand	15,035	18,623
Amounts owed to Parent undertaking	LIBOR / Bank of England + 3.0%	November 2022	On maturity	10,000	10,000
				<u>25,035</u>	<u>28,623</u>

All of the above balances are denominated in £GBP.

Due to LIBOR lending rates being phased out during the financial year, the Bank of England base rate has been used as the benchmark for all intercompany interest rates since January 2022.

21 Other interest-bearing loans and borrowings

	Minimum Lease payments 2022 £'000	Minimum lease payments 2021 £'000
Less than one year	-	-
Between two and five years	-	-
	<u>-</u>	<u>-</u>

22 Other financial assets/liabilities

Financial assets/(liabilities) held for trading – forward currency contracts

	2022 £'000	2021 £'000
Amount falling due within one year - (liability)/asset	(5,501)	4,720
Amount falling due after one year – (liability)/asset	(4,105)	(543)
	<u>(9,606)</u>	<u>4,177</u>

Norbrook Laboratories Limited

Notes (continued)

23 Provisions for liabilities and charges

	2022 £'000	2021 £'000
Deferred tax liability (note 23a)	4,155	5,406
	<u>4,155</u>	<u>5,406</u>

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	-	-	8,070	5,038	8,070	5,038
RDEC – Set off balance	(896)	(266)	-	-	(896)	(266)
Other timing differences	(596)	(159)	-	-	(596)	(159)
Fair value derivatives	(2,155)	-	-	793	(2,155)	793
Tax value of losses carried forward	(268)	-	-	-	(268)	-
	<u>(3,915)</u>	<u>(425)</u>	<u>8,070</u>	<u>5,831</u>	<u>4,155</u>	<u>5,406</u>
Net tax (assets)/liabilities	(3,915)	(425)	8,070	5,831	4,155	5,406

24 Accruals and deferred income

	2022 £'000	2021 £'000
<i>Government grants</i>		
At beginning of year	672	838
Released to profit and loss account	(167)	(166)
	<u>505</u>	<u>672</u>
At end of year	505	672

25 Capital and reserves

	2022 £'000	2021 £'000
<i>Share capital allotted, called up and fully paid</i>		
Ordinary shares of £1 each		
At beginning of year	1,294	1,294
	<u>1,294</u>	<u>1,294</u>
At end of year	1,294	1,294

Revaluation reserve

The transfer between the revaluation reserve and the profit and loss reserve represents the excess depreciation charged in the period on revalued fixed assets. During the current year, the property to which the revaluation reserve relates was disposed of and the balance on the revaluation reserve was transferred to the profit and loss reserve.

Norbrook Laboratories Limited

Notes (continued)

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 £3.1m (2021: £11.0m).

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:

	2022 £'000	2021 £'000
Expiring within:		
One year	159	56
Two to five years	502	81
	<hr/>	<hr/>
	661	137
	<hr/>	<hr/>

Norbrook Laboratories Limited

Notes (continued)

27 Contingent liabilities

- (i) The group, of which the company is a member, had given guarantees to Danske Bank in respect of borrowings of related parties for amounts up to £nil (30 July 2021: £nil).
- (ii) 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.
- (iii) 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 £0.5m (2021: £0.7m).
- (iv) 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 £2,167k (2021: £1,936k). There are no further liabilities accruing to the company in respect of pensions other than any payments agreed under the contribution plan.

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 provisions against inventories, provisions in respect of employee benefit plans and rebates.

Norbrook Laboratories Limited

Notes *(continued)*

31 Post balance sheet events

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