Actavis UK Limited

Annual report and financial statements
Registered number 00079585
For the year ended 31 December 2015

Contents **Page no.**

Strategic report

The Directors present their strategic report on the company for the year ended 31 December 2015.

Review of the business

The activity of the company during the year continued to be the manufacture, marketing and sales of a broad range of pharmaceutical products.

The profit for the year before taxation increased as shown in the income statement to £81 million (2014: £44 million).

The UK company operates predominately in a highly competitive UK pharmaceutical market environment.

The company has continued to expand its strategic position as a major supplier to the UK generics market and despite competitive trading conditions, the directors are confident that the company will maintain its current strong position.

- The company manages the risk of strong competition by:
- Building on high quality UK manufacturing capabilities;
- Rapidly respond to changing market requirements;
- Different customer service offerings;
- Portfolio development across brands, generics and OTC products; and
- Good cost control and streamlining of business process to gain efficiency savings.

	2015	2014	Comments
Revenue growth	60.9%	3.4%	Revenue growth in 2015 through significant new product launches. Growth also driven by integration of commercial operations of other UK group companies following their acquisition by Allergan group throughout 2014 and 2015.
Net profit %	18.0%	15.4%	Profit growth through portfolio optimisation, diversification and acquisition integration. Enhanced efficiency in the plant contributing to improved costs.

The Barnstaple site is an EU/GMP approved large solid oral dosage facility that serves predominately the UK generic market. Other markets supplied include the Middle East, Africa and Asia. The site has successfully maintained a highly competitive low cost position through scale and breadth of portfolio and continues to focus on cost reduction initiatives whilst continuing to invest in the facility with improvements in technology and automation. Customer service remains a key success driver.

Directors' report

Directors' report for the year ended 31 December 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

Future Developments

The strategy of Actavis UK Limited is to continue its leadership position in generic pharmaceuticals through

- a flexible, scalable business model permitting us to adapt flexibly to changing market dynamics
- scale presence and a broad and growing portfolio
- well established relationship with customers, NHS, payers and government and exceptional product launch expertise

On the 17th March 2015, the company's ultimate parent Actavis Plc acquired Allergan Inc. Actavis Plc subsequently changed its name to Allergan Plc.

On the 2nd August 2016 Teva Pharmaceuticals Industries Limited acquired the generic business of our ultimate parent Allergan PLC. The European Commission in approving the transaction has taken the view that a traditional 'product-by-product' divestment would not be sufficient to guarantee continuity of competition. This means that Teva is required to sell to another buyer the majority of the Actavis UK business. The process of seeking a buyer is currently ongoing and is expected to complete in the coming months.

Dividends.

The directors paid a dividend of £81.1m (2014: £Nil) to its immediate parent company, Actavis Holding UK II Limited.

Political and political expenditure

During 2015 the company made no political contributions.

Financial risk management

The company's activities expose it to a number of financial risks including credit risk, interest risk, foreign currency risk and liquidity risk. The company does not use derivative financial instruments and tries to limit those risks through the support of its parent company.

<u>Price risk</u>

The price of pharmaceutical products can fluctuate depending on competitor activity and supply availability. The risk is managed by a diverse broad portfolio and a flexible supply chain to respond quickly to market dynamics.

<u>Credit risk</u>

The company is exposed to the risk of financial losses should a counter party fail to meet their obligation. Appropriate credit limits are regularly reviewed and approved by directors and trade finance instruments such as credit insurance and letters of credits are used to limit any exposure. Overdue balances are reviewed on a weekly basis by senior management and any issues identified are dealt with in a timely manner.

<u>Liquidity & cash flow risk</u>

The company controls liquidity risk by monitoring and forecasting cash balances very closely and enjoying parent company support for any excess or shortfalls in cash balances.

<u>Interest risk</u>

The company has both interest-bearing assets and interest-bearing liabilities with intercompany counter parties which exposes the company to changes in interest rates.

Directors' report *(continued)*

Foreign currency risks

Foreign currency exchange risk arises from purchases and some sales in foreign currency. The company does not hedge against foreign currency risk and uses the group treasury function for support.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mrs S J Vincent
Ms N Jakes
Mr J Wilson
Mrs S Lee
Mr L Ramneborn (resigned 15 June 2016)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Research and Development

The company benefits from access to the parent company's new product pipeline, which are developed in specialist R&D centres across the intercompany network.

Local R&D activities are focused on transfers, new technologies and methods to achieve efficiencies in manufacturing, packing and testing and to strengthen and extend formulations of older molecules.

Employees

The company continues its policy of giving full and fair consideration to applications for employment from disabled persons and to the continuance of employment of existing employees who become disabled and for their subsequent training, promotion and career development related to their abilities and aptitudes.

The company recognises the value of informal consultation at work group level where its policy is to encourage an open management style with informal discussion about day-to-day operations and the technical and other factors affecting each work group.

A variety of methods are used to inform and discuss progress and consult on matters of concern to employees.

The company operates a bonus scheme as a means of encouraging the involvement of employees in the company's performance.

The company is committed to its adopted safety practices, which have enabled it to maintain high standards of health and safety for the benefit of employees, customers and the general public. The company is ISO 14001 certified..

Directors' report *(continued)*

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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 steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors:

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed to the Board.

The financial statements were approved by the Board of Directors on 16th September 2016 and signed on its behalf by:

N Jakes
Director

Whiddon Valley
Barnstaple
Devon
EX32 8NS

Independent auditors' report to the members of Actavis UK Limited

Report on the financial statements

Our opinion

In our opinion, Actavis UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth
~~August~~ 2016
21 September

Income statement
(All amounts in £ thousands unless otherwise stated)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	*3*	**352,051**	**218,414**
Cost of sales		(214,721)	(152,382)
Gross profit		**137,330**	**66,032**
Distribution costs		(5,436)	(4,880)
Administrative expenses		(55,774)	(31,091)
Other operating income		5,437	13,822
Operating profit	*4*	**81,557**	**43,883**
Other interest receivable and similar income	*5*	168	138
Interest payable and similar charges	*6*	(728)	(566)
Net interest (expense)/income		(560)	(428)
Profit on ordinary activities before income tax		**80,997**	**43,455**
Income tax expense on ordinary activities	*8*	(17,712)	(9,793)
Profit for the year		**63,285**	**33,662**

All amounts relate to continuing operations

Other operating income includes net income from an essential medicines tender with the Department of Health.

Statement of comprehensive income

(All amounts in £ thousands unless otherwise stated)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Profit for the year		**63,285**	**33,661**
Other comprehensive income: items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension schemes	*20*	5,768	(11,237)
Movement of deferred tax relating to pension deficit		(1,038)	2,247
Movement on deferred tax relating to change in tax rates		-	-
Other comprehensive income for the year, net of tax		**4,730**	**(8,990)**
Total comprehensive income for the year		**68,015**	**24,671**

Statement of financial position

(All amounts in £ thousands unless otherwise stated)

	Note	As at 31 December 2015	As at 31 December 2014
Fixed assets			
Intangible assets	*9*	2	10
Property, plant and equipment	*10*	26,032	27,141
		26,034	**27,151**
Current assets			
Inventory	*11*	71,476	53,243
Trade and other receivables	*12*	127,202	141,901
Cash and cash equivalents		10,210	4,016
		208,888	**199,160**
Creditors – amounts falling due within one year	*13*	**(141,398)**	**(113,554)**
Net current assets		**67,490**	**85,606**
Total assets less current liabilities		**93,524**	**112,757**
Creditors – amounts falling due after more than one year	*14*	(9,527)	(15,237)
Provision for liabilities	*15*	(659)	(1,099)
Net assets		**83,338**	**96,421**
Equity			
Ordinary shares	*18*	1,527	1,527
Share premium		8,294	8,294
Retained earnings		73,517	86,600
Total shareholders' funds		**83,338**	**96,421**

The notes on pages 12 to 30 are an integral part to these financial statements

The financial statements on pages 8 to 11 were authorised for issue by the board of directors on 16th September 2016 and were signed on its behalf

N Jakes
Director

Statement of changes in equity

(All amounts in £ thousands unless otherwise stated)

	Notes	Called up share capital	Share premium	Retained earnings	Total
Balance as at 1 January 2014 (as previously reported)		1,527	8,294	61,402	71,223
Effect of changes in accounting policies		-	-	-	-
Balance as at 1 January 2014		**1,527**	**8,294**	**61,402**	**71,223**
Profit for the year		-	-	33,661	33,661
Other comprehensive income for the year:					
Actuarial losses on pensions scheme		-	-	(10,581)	(10,581)
Current tax deductions allocated to actuarial losses					
Movement on deferred tax relating to pension deficit		-	-	2,117	2,117
Movement on deferred tax relating to revaluation reserve		-	-	-	-
Total comprehensive income for the year		**1,527**	**8,294**	**86,599**	**96,420**
Dividends					
Transfer to income statement reserve		-	-	-	-
Total transactions with owners recognised directly in equity		-	-	-	-
Balance as at 31 December 2014		1,527	8,294	86,599	96,420
Balance at 1 January 2015		1,527	8,294	86,599	96,420
Profit for the year		-	-	63,285	63,285
Other comprehensive income for the year:					
Actuarial losses on pensions scheme	*20*	-	-	5,768	5,768
Current tax deductions allocated to actuarial losses		-	-	-	-
Movement on deferred tax relating to pension deficit		-	-	(1,038)	(1,038)
Movement on deferred tax relating to revaluation reserve		-	-	-	-
Total comprehensive income for the year		**1,527**	**8,294**	**154,614**	**164,435**
Dividends				(81,097)	(81,097)
Transfer to income statement reserve					
Total transactions with owners recognised directly in equity				(81,097)	(81,097)
Balance as at 31 December 2015		1,527	8,294	73,517	83,338

Notes to the financial statements

1 General Information

The principle activity of Actavis UK Limited is the manufacture and distribution of pharmaceutical preparations and products.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Whiddon Valley, Barnstaple, Devon EX32 8NS

2 Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

Basis of preparation

The financial statements of Actavis UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number of weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- Paragraphs 91to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
    - Paragraph 79(a) (iv) of IAS 1;
    - Paragraph 73(e) of IAS 16 Property, plant and equipment
    - Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d), (statement of cash flow)
    - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
    - 16 (statement of compliance with all IFRS)
    - 38A (requirement for a minimum of two primary statements, including cash flow statements)
    - 38B-D (additional comparative information)
    - 40A-D (requirements for a third statement of financial position)
    - 111 (cash flow statement information)
    - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

Notes to the financial statements *(continued)*

***Basis of preparation** (continued)*

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The company has considerable financial resources together with support from the Group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report and Directors Report.

Changes in accounting policy and disclosures

Due to the adoption of FRS 101 the following standards have been adopted by the company for the financial year beginning on 1 January 2015 and have a material impact on the company:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income.

IAS 19, Employee benefits

Consolidation

The company is a wholly owned subsidiary of Actavis Holdings UK II Limited and of its ultimate parent Teva Pharmaceuticals Industries. It is included in the consolidated accounts of the ultimate parent which are publically available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements

These financial statements are separate financial statements.

Foreign currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Property, plant and equipment

The cost of other property, plant and equipment is the purchase cost, together with any incidental expenses of acquisition. Depreciation is provided to write off the cost, less estimated residual values, evenly over the expected useful lives. It is calculated at the following rates:

Buildings	40 years
Plant and machinery	3 – 10 years
Fixtures and fittings	3 – 7 years

Intangible fixed assets and amortisation

Intangible fixed assets represented by brands are capitalised at their cost.,

Brands purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of five years. Amortisation is recognised within Administration Expense in the Income Statement

Notes to the financial statements *(continued)*

Trade and other receivables

Trade and other receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets, if not, they are presented as non-current assets.

Trade and other receivables are recognised at cost less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Creditors

Creditors are recognised at fair value

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences which have arisen but not reversed at the balance sheet date, with the following exceptions:

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Contribution to pension funds

The Company operates both a defined contribution pension scheme and a pension scheme providing benefits based on final pensionable pay. The assets of these schemes are held separately from those of the Company in independently administered funds.

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

In the group's defined benefit pension scheme, pensions scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The pension scheme balance is recognised net of any related deferred tax balance with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above.

Share Based Payments

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions
- including the impact of any non-vesting conditions

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Notes to the financial statements *(continued)*

***Share Based Payments** (continued)*

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, new shares are issued by the parent company.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Revenue

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deferred income

When cash has been received by the company but the risks and rewards of ownership of the related goods have not been transferred, the cash received is credited to deferred income and will only be released to turnover when the risks and rewards of the related goods are no longer with the company

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related assets' useful economic life.

Inventories

Inventory and work in progress are stated at the lower of cost and net realisable value.

In the case of raw materials cost are based on actual cost with variances capitalised on a first in first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads. Attributable overheads have been allocated to production on the basis of normal activity.

Net realisable value is estimated selling price less all further costs to completion.

Research and development expenditure

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Notes to the financial statements *(continued)*

Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and critical judgments which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Retirement benefits
The company's defined benefit schemes' pension liability/asset, which is assessed each year by actuaries, is based on key assumptions including discount rates, mortality rates, inflation, future salary costs and pension costs. These assumptions, individually or collectively, may be different to actual outcomes; refer to note 20 for further details.

A retirement benefit surplus is only recognised to the extent that it is expected to be recoverable in the future.

Taxation and deferred taxation

The company is subject to income taxes in the UK. At each financial year end, judgement is required in determining the provision for income taxes. The company recognises liabilities for anticipated tax issues based on the best estimates at the balance sheet date.

Determining the deferred tax on non-current assets and liabilties requires an element of judgement. The company recognises deferred tax assets and liabilities based on the best estimate at the balance sheet date.
Where the final tax outcome of the above matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the year in which such determination is made. The final outcome of some of these tax items may give rise to material income statement and/or cash flow movements.

Financial statement presentation

In preparing the 2015 financial statements the company has changed the format of these financial statements to be in accordance with the requirements FRS 101.

Notes to the financial statements *(continued)*

3 Revenue

The revenue and profit before taxation is attributable to one activity in the UK, the manufacture and marketing of pharmaceutical products.

An analysis of turnover by geographical market based on the location of the customer is given below:

	2015	2014
	£000	£000
United Kingdom	**320,217**	196,194
Overseas	**31,834**	22,220
	352,051	218,414

4 Operating profit

	2015	2014
	£000	£000
Operating profit is stated after charging:		
Depreciation of owned assets	**4,142**	3,318
Amortisation of owned assets	**8**	8
Profit on disposal of fixed assets	**-**	5
Auditors renumeration – audit	**90**	87
Auditors renumeration – non audit	**10**	22
Operating lease rentals recognised as an expense	**751**	525
Net loss/(gain) on foreign currency translation	**254**	(20)
Research and development expenditure	**315**	203

5 Interest receivable and similar income

	2015	2014
	£000	£000
Bank interest	**7**	7
Other Interest	**161**	131
Net pension finance cost	**-**	-
	168	138

Of the above amounts £160,641 was receivable from group undertakings (2014: £130,839 receivable).

6 Interest payable and similar charges

	2015	2014
	£000	£000
Other interest	**728**	**32**
Net pension finance cost	**-**	**534**
	728	**566**

Notes to the financial statements *(continued)*

7 Staff costs

The average monthly number of employees, excluding temporary employees, of the company during the year, analysed by activity, was:

	2015	2014
Production	**502**	478
Selling & distribution	**159**	120
Administration	**68**	64
	729	662

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	**32,483**	28,339
Social security costs	**4,133**	3,029
Other pension costs	**2,721**	2,291
	39,337	33,659

Staff costs include the following remuneration in respect of directors:

	2015 £000	2014 £000
Remuneration	**1,506**	1,329
Benefits	**9**	13
Company contributions to money purchase pension schemes	**39**	106
	1,554	1,448

Number of directors (who served during the year) accruing benefits under the company		
money purchase pension scheme	**4**	5
defined benefit pension scheme	**-**	-
share award scheme	**4**	4

Highest paid director:

The highest paid director did not exercise any share options.

	2015 £000	2014 £000
Aggregate emoluments	649	469
Defined contribution pension scheme accrued pension at end of year	-	34

Notes to the financial statements *(continued)*

8 Taxation on profit on ordinary activities

	2015 £000	2014 £000
Current tax		
Current tax on income for the year	**9,284**	3,509
Group relief	**7,137**	5,778
Adjustments in respect of prior years	**13**	6
	16,434	9,293
Deferred tax		
Origination/reversal of timing differences (see note 15)	**(283)**	146
Adjustments in respect of prior years (see note 15)	**(157)**	(8)
FRS 17 adjustment recognised through the profit and loss account	**1,718**	493
Tax on profit on ordinary activities	**17,712**	9,924

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (*2014:* 21.5%). The differences are explained below.

A number of changes to the UK corporation tax system were announced in the Summer Budget 2015, including reducing the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. This was substantively enacted in Section 7 of the Finance Act 2015. Accordingly, the closing deferred tax liability in these financial statements has been recognised at 18%.

	2015 £000	2014 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	**80,998**	44,111
Current tax at 20.25% *(2014:* 21.5 %*)*	**16,402**	9,484
Effects of:		
Expenses not deductible for tax purposes	**77**	490
Depreciation in excess of capital allowances	**216**	(158)
Origination/reversal of timing differences	**(3)**	(481)
Adjustments to tax charge in respect of prior years	**13**	7
Impact of differing tax rates	**(271)**	(48)
Total current tax charge (see above)	**16,434**	9,294

Notes to the financial statements *(continued)*

9 Intangible assets

	£000
Cost	
At beginning and end of year	8,574
Accumulated amortisation	
At beginning of year	8,564
Charged in year	8
At end of year	8,572
Net book value	
At 31 December 2015	**2**
At 31 December 2014	10

10 Property, plant and equipment

	Land & Freehold buildings £000	Plant and machinery £000	Fixtures & fittings £000	Total £000
Cost				
At 1 January 2015	13,702	61,492	1,664	76,858
Additions	244	2,330	459	3,033
Disposals	-	(141)	-	(141)
At 31 December 2015	13,946	63,681	2,123	79,750
Depreciation				
At 1 January 2015	5,222	43,640	855	49,717
Charge for the year	325	3,405	412	4,142
Disposals	-	(141)	-	(141)
31 December 2015	5,547	46,904	1,267	53,718
Net book value				
At 31 December 2015	**8,399**	**16,777**	**856**	**26,032**
At 31 December 2014	8,480	17,852	809	27,141

Included in land and freehold buildings is land with a cost of £672,000 *(2014: £672,000)* that has not been depreciated during the year.

Notes to the financial statements *(continued)*

Tangible fixed assets includes the following assets held under finance leases:

	2015 £000	2014 £000
Cost	146	146
Accumulated amortisation	(66)	(29)
Net book value	80	117

11 Inventory

	2015 £000	2014 £000
Raw materials	**6,587**	4,649
Work in progress	**6,764**	5,672
Finished goods	**58,125**	42,922
	71,476	53,243

12 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**88,282**	45,604
Amounts owed by group undertakings	**37,768**	94,781
Prepayments and accrued income	**1,152**	902
Other receivables	**0**	614
	127,202	141,901

13 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**15,926**	23,951
Amounts owed to group undertakings	**68,268**	47,959
Corporation tax	**1,465**	-
Other taxation and social security	**16,756**	4,091
Accruals and deferred income	**38,983**	37,553
	141,398	113,554

Notes to the financial statements *(continued)*

14 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Defined benefit pension scheme liability	**9,527**	15,237
	9,527	15,237

15 Provisions for liabilities

	2015 £000	2014 £000
Deferred taxation		
At beginning of year	**1,099**	961
Debit to the profit and loss for the year	**(440)**	138
At end of year	**659**	1,099

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and amortisation and capital allowances	**787**	1,141
Other timing differences	**(128)**	(42)
Undiscounted provision for deferred tax	**659**	1,099

16 Capital commitments

	2015 £000	2014 £000
Contracted but not provided for in these financial statements	**1,079**	353

Notes to the financial statements *(continued)*

17 Lease commitments

Future aggregate minimum rentals payable under non-cancellable operating leases are as follows:

	2015 £000	2014 £000
Land and buildings		
Not later than one year	8	36
After one year but not more than five years	-	25
	8	61
Other		
Not later than one year	96	89
After one year but not more than five years	433	170
	529	259

The total outstanding commitments for future minimum payments under finance leases are as follows:

	2015 £000	2014 £000
Future minimum payments due:		
Not later than one year	69	69
After one year but not more than five years	74	144
	143	213
Less finance charges allocated to future payments	(36)	(82)
Present value of minimum lease payments	107	131
The present value of minimum lease payments is analysed as follows:		
Not later than one year	43	23
After one year but not more than five years	64	108
	107	131

18 Called up share capital

Allotted, called up and fully paid
1,527,081 *(2014: 1,527,081)* ordinary shares of £1 each

Equity shares carry one vote per share and an equal right to net assets in the event of a winding up of the company.

19 Ultimate and immediate parent company

On the 17th March 2015, the company's ultimate parent Actavis Plc, acquired Allergan Inc. Actavis Plc subsequently changed its name to Allergan Plc.

On the 2nd August 2016 Allergan Plc divested their international generics business to Teva Pharmaceutical Industries Limited

As a result of the divestment the ultimate parent company and controlling party of Actavis UK Limited is considered by the directors to be Teva Pharmaceutical Industries Limited.

The company's immediate parent undertaking is Actavis Holdings II Limited, a company registered and operating in the UK. The largest and smallest group into which the results of the company is consolidated is that headed by Teva Pharmaceutical Industries Limited, a company incorporated in Israel. Copies of Teva Pharmaceutical Industries Limited's financial statements can be obtained from Teva Investor Relations at 1090 Horsham Road, North Wales PA, 19454

Notes to the financial statements *(continued)*

20 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £2,291,029 (*2014:* £2,291,029).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit pension scheme

The company operates a defined benefit pension scheme, The Actavis Defined Benefit Pension Plan (formerly the Alpharma Limited Retirement Benefit Scheme), providing benefits based on final pensionable pay. This is an approved funded pension scheme. The assets of the Scheme are held separately from the assets of the Company in trustee administered funds. The latest full actuarial valuation was carried out at 1 October 2012 and was updated for FRS 101 purposes to 31 December 2015 by a qualified independent actuary.

The scheme was closed to new entrants on 30 August 2006 and was closed to future accrual on 31 December 2010 at which time existing members of the pension scheme transferred to the company's defined contribution scheme. The liabilities have been calculated under FRS 101 using the projected unit method.

The Scheme provides benefits on a defined benefit basis and the following disclosures relate to the defined benefit scheme alone. Contributions to the Scheme are assessed in accordance with the advice of a qualified actuary.

	2015 £000	2014 £000
Present value of funded defined benefit obligations	**(68,675)**	(73,606)
Fair value of plan assets	**57,057**	54,560
Deficit	**(11,618)**	(19,046)
Related deferred tax asset	**2,091**	3,809
Net liability	**(9,527)**	(15,237)

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At 1 January	**(73,606)**	(59,655)
Interest cost	**(2,704)**	(2,719)
Actuarial gain/(loss) arising from:		
- Changes in financial assumptions	**3740**	-
- Changes in demographic assumption	**-**	-
- Experience gains/losses	**2,843**	(12,344)
Benefits paid	**1,052**	1,112
At 31 December	**(68,675)**	(73,606)

Movements in fair value of plan assets

	2015 £000	2014 £000
At 1 January	**54,560**	49,381
Interest income on plan assets	**2,021**	2,273
Return/loss on plan assets in excess of interest income	**(815)**	1,675
Contributions by employer	**2,343**	2,343
Benefits paid	**(1,052)**	(1,112)
At 31 December	**57,057**	54,560

Notes to the financial statements *(continued)*

20 Pension Scheme *(continued)*

Expense recognised in the income statement

	2015 £000	2014 £000
Interest cost on defined pension plan obligation	**(2,704)**	(2,719)
Interest on effect of asset ceiling	**-**	(88)
Interest income on defined benefit pension plan assets	**2,021**	2,273
Total	**(683)**	(534)

The expense is recognised in the following line items in the income statement:

	2015 £000	2014 £000
Interest payable and similar charges	**(683)**	(534)
Total	**(683)**	(534)

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a loss of £5,768,000 *(2014: loss of* £11,237,000*)*.

Cumulative actuarial gains/losses reported in the statement of comprehensive income for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under IAS 19, are losses of £15,657,000 *(2014 loss of* £21,425,000*)*.

The fair value of the plan assets were as follows:

	2015 £000	2014 £000
Equities	**28,649**	26,724
Bonds	**22,404**	22,179
Cash and other investments	**6,004**	5,657
	57,057	54,560

The company would expect returns on equities to be higher on average over the longer term than those available on bonds. The extent of the out performance will vary from time to time with market conditions.

Notes to the financial statements *(continued)*

20 Pension Scheme *(continued)*

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2015	2014
Discount rate	4.0% pa	3.7% pa
Inflation – RPI	3.4% pa	3.3% pa
Salary growth	4.9% pa	4.8% pa
Pension increases in deferment – Pre April 2009	3.4% pa	3.3% pa
Pension increased in deferment – Post April 2009	2.5% pa	2.4% pa
Pension increases in payment – Fix 3%	3.0% pa	3.0% pa
Pension increases in payment – RPI, max 5%	3.3% pa	3.2% pa
Pension increases in payment – RPI, max 2.5%	2.4% pa	2.4% pa
Base mortality table	S1PMA/S1PFA	S1PMA/S1PFA

The company expects to contribute approximately £2.343m to its defined benefit plan in the next financial year.

The table below illustrates the estimated impact on the schemes' liabilities as at 31 December 2015 as a result of movements in the principal assumptions used to measure those liabilities.

	2015
Increase / decrease discount rate by 0.5% p.a.	-11% / +14%
Increase / decrease assumed rate of future inflation by 0.5% p.a.	+10% / -10%
Increase / decrease assumed rate of salary growth by 0.5% p.a.	+5% / -4%

A 0.5% reduction in the inflation assumption, a 0.5% increase in the discount rate assumption and a one year reduction in the life expectancy assumption would result in an equal and opposite change in the schemes' liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be accumulated. When calculating the sensitivity of the schemes' liabilities to significant actuarial assumptions the same method has been applied as when calculating the retirement benefit obligations/asset recognised within the balance sheet.

Post retirement mortality assumptions

The current life expectancies of a pensioner retiring aged 65 underlying the mortality tables of the schemes are as follows:

Life expectancies at age 65:	**2015 Years**	**2014 Years**
Current pensioners at retirement age – male	87.8	87.7
Current pensioners at retirement age - female	90.2	90.1
Future pensioners at retirement age – male	90.1	89.9
Future pensioners at retirement age - female	92.5	92.4

Notes to the financial statements *(continued)*

21 Reconciliations on adoption of FRS 101

Reconciliation of equity

	At 1 January 2014			At 31 December 2014		
	Previous UK GAAP	**Effect of transition**	**FRS 101**	**Previous UK GAAP**	**FRS 101**	**2014**
Fixed assets						
Intangible assets	18	-	18	10	-	10
Property, plant and equipment	26,388	-	26,388	27,141	-	27,141
	26,406	**-**	**26,406**	**27,151**	**-**	**27,151**
Current assets						
Inventory	44,741	-	44,741	53,243	-	53,243
Trade and other receivables	108,150	-	108,150	141,901	-	141,901
Cash and cash equivalents	2,815	-	2,815	4,016	-	4,016
	155,706	**-**	**155,706**	**199,160**	**-**	**199,160**
Creditors – amounts falling due within one year	**(101,708)**	**-**	**(101,708)**	**(113,554)**	**-**	**(113,554)**
Net current assets	**53,998**	**-**	**53,998**	**85,606**	**-**	**85,606**
Total assets less current liabilities	**80,404**	**-**	**80,404**	**112,757**	**-**	**112,757**
Creditors – amounts falling due after more than one year	(8,219)	-	(8,219)	(15,237)	-	(15,237)
Provision for liabilities	(961)	-	(961)	(1,099)	-	(1,099)
Net assets	**71,224**	**-**	**71,224**	**96,421**	**-**	**96,421**
Equity						
Ordinary shares	1,527	-	1,527	1,527	-	1,527
Share premium	8,294	-	8,294	8,294	-	8,294
Retained earnings	61,403	-	61,403	86,600	-	86,600
Total shareholders' funds	**71,224**	**-**	**71,224**	**96,421**	**-**	**96,421**

Notes to the financial statements *(continued)*

21 Reconciliations on adoption of FRS 101 *(continued)*

Reconciliation of profit or loss for the year

	Ref	Year ended 31 December 2014 Previous UK GAAP	Effect of transition	FRS 101
Revenue		**218,414**	**-**	**218,414**
Cost of sales		(152,382)	-	(152,382)
Gross profit		**66,032**	**-**	**66,032**
Distribution costs		(4,880)	-	(4,880)
Administrative expenses		(31,091)	-	(31,091)
Other operating income		13,822	-	13,822
Operating profit		**43,883**	**-**	**43,883**
Other interest receivable and similar income		260	(122)	138
Interest payable and similar charges		(32)	(534)	(566)
Net interest (expense)/income	A	228	(656)	(428)
Profit on ordinary activities before income tax		**44,111**	**(656)**	**43,455**
Income tax expense on ordinary activities	B	(9,924)	131	(9,793)
Profit for the year		**34,187**	**(525)**	**33,662**

References to reconciliations on adoption of FRS 101:

A. Charge to income statement related to interest on Defined Benefit scheme plan assets and liabilities

Under FRS101, the credit to the P&L in respect of the expected return on assets is replaced by interest in line with the discount rate used to value the liabilities at the start of each year

B. Deferred tax

Deferred tax impact as a result of FRS 101 DB Pension scheme changes stated in point A above

Notes to the financial statements *(continued)*

22 Share Based Compensation Schemes

Allergan Plc (the ultimate parent company) operates a number of share based compensation schemes for employees of the group, including the 'Restricted Stock Plan' in which selected employees of Actavis UK Limited participate. This programme offers participants the opportunity to earn shares of the common stock of the parent if certain vesting and/or performance criteria are satisfied. The award will vest over a 4 year period with even instalments starting 1 year after the grant date. The fair value of the awards granted is based on the share price on the grant date. The total share based compensation cost is recognised over the vesting period of the awards in accordance with FRS 101.

Details of grants during the year:

Grant date	4 March 2015	17 March 2015	3 August 2015
Share Price at grant date	$296.14	$307.51	$334.92
Exercise price	NIL	NIL	NIL
Number of employees	56	1	1
Shares granted	5,039	885	138
Vesting period	4 years	4 years	4 years
Fair value per RSU	$296.14	$307.51	$334.92

Details of outstanding awards at 31 December 2015:

	Number of Shares	Weighted average share price
Outstanding 1 January 2015	17,048	$118.27
Granted 4 March 2015	5,039	$296.14
Granted 17 March 2015	885	$307.51
Granted 3 August 2015	138	$331.15
Vested	(4,715)	$120.20
Forfeit	(5,914)	$73.22
Outstanding 31 December 2015	**12,481**	$226.51

During the year the share based compensation cost recognised in the income statement in respect of these awards was £1,267,470 (2014: £589,543).

The cost recognised in the income statement is based on the amounts recharged by the parent company. The amounts are recharged in U.S. Dollars (USD) as this is the parent company's functional currency. This is translated into Pounds Sterling (Actavis UK Limited's functional currency) at the prevailing exchange rate on the date that the recharges are made.

Notes to the financial statements *(continued)*

23 Information on related undertakings

During the year the Company made contributions of £2,343,000 to the Actavis Defined Benefit Pension Scheme to fund the administration of the scheme and to reduce the deficit.

The company enters into trading transactions with fellow group companies, details of which have not been disclosed in the financial statements as the company has availed of the exemption in FRS 101 paragraph 8, available to those companies whose financial statements are included in those of its parent and which are available to the public.

24 Subsequent events

On 2nd August 2016 Allergan Plc divested its International Generics business to Teva Pharmaceuticals. Approval for the sale was granted by the European Competition Commission on the basis that Teva be required to divest a number of assets, including much of Actavis's generics business in the UK and Ireland. The decision was made in order to guarantee continuity of competition in the UK and Ireland marketplace.