

Actavis UK Limited

Report and financial statements
Registered number 00079585
For the period ended 31 March 2017

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Strategic report

The Directors present their strategic report on the company for the period ended 31 March 2017.

Review of the business

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

The profit for the period before taxation increased as shown in the income statement to £125 million (2015: £81 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 responding to changing market requirements;
- Different customer service offerings and a broad portfolio offering and
- Good cost control and streamlining of business process to gain efficiency savings.

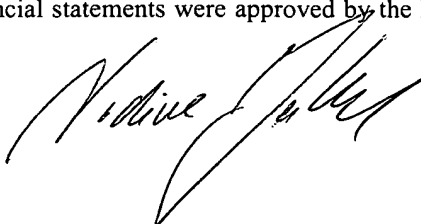
	2017	2015	Comments
Revenue growth	0.9% (pro-rated)	60.9%	Revenue growth in the period has been annualised for comparison purposes. The growth was impacted by the required carve out of our portfolio (see Directors report) Underlying growth remained strong with successful new product launches.
Net profit %	22.6%	18.0%	Profit growth through portfolio optimisation and diversification. 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.

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 had taken the view that a traditional 'product-by-product' divestment would not be sufficient to guarantee continuity of competition. This meant that Teva was required to sell to another buyer the majority of the Actavis UK business. On the 9th January 2017 Accord Healthcare Limited acquired Actavis UK Limited. As part of the divestment some assets were retained by Teva, these assets were carved out in late 2016.

The financial statements were approved by the Board of Directors on 27th July 2017 and signed on its behalf by:

N Jakes
Director



Directors' report

Directors' report for the period ended 31 March 2017

The directors present their report together with the audited financial statements for the period ended 31 March 2017.

Significant transactions in the period

In preparation for the divestment of Actavis UK Limited to Accord Healthcare, intangible assets such as trademarks, patents and marketing authorisations (MA's) relating to the carve out business were transferred into Actavis UK Ltd from various other group companies resulting in a £46 million increase (net of amortisation) in intangible assets. The transaction also required additional funding to be provided to the Defined Benefit Pension, an additional payment of £28 million was made in early January which eliminated the deficit.

Future Developments

The strategy of Actavis UK Limited is to continue its growth and 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
- integration of the Accord Healthcare UK business, combined trading starting from April 2017
- cost leadership through continued efficiency programs, integration synergies and access to Intas Group supply chains and scale

Dividends

The directors paid a dividend of £46m or £30.13 per share (2015: £81.1m or £53.11 per share) to its immediately previous parent company, Actavis Holding UK II Limited.

Political and political expenditure

During the 2017 financial period the company made no political contributions (2015: none).

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.

Price risk

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.

Credit risk

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 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.

Liquidity & cash flow risk

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.

Interest risk

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 period and up to the date of signing the financial statements were:

Dr J Burt (appointed 25 January 2017)
Ms N Jakes
Mr J Wilson
Mrs S Lee
Mrs S J Vincent (resigned 30 June 2017)
Mr L P 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 in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial 15 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

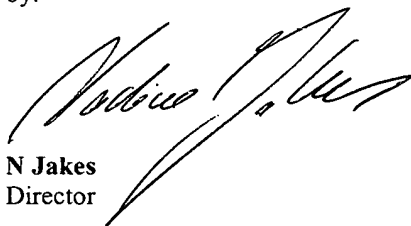
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The financial statements were approved by the Board of Directors on 27th July 2017 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 March 2017 and of its profit for the 15 month period (the "period") 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 Report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 March 2017;
- the Income statement and the Statement of comprehensive income for the period then ended;
- the Statement of changes in equity for the period 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

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.

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 in respect of the financial statements set out on page 5, 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

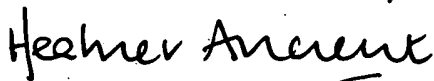
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

11 August 2017

Income statement

(All amounts in £ thousands unless otherwise stated)

	Note	15 Months ended 31 March 2017	Year ended 31 December 2015
Revenue	3	438,614	352,051
Cost of sales		(261,206)	(214,721)
Gross profit		177,408	137,330
Distribution costs		(7,102)	(5,436)
Administrative expenses		(45,186)	(55,774)
Other operating (expense)/income		(1,282)	5,437
Operating profit	4	123,838	81,557
Interest receivable and similar income	5	1,059	168
Interest payable and similar charges	6	-	(728)
Net interest income/(expense)		1,059	(560)
Profit on ordinary activities before income tax		124,897	80,997
Income tax expense on ordinary activities	8	(24,201)	(17,712)
Profit for the period		100,696	63,285

All amounts relate to continuing operations.

In prior period, other operating income included net income from an essential medicines tender with the Department of Health. Expense in the current period relates to realised and unrealised net foreign exchange losses.

Statement of comprehensive income
(All amounts in £ thousands unless otherwise stated)

	Note	15 Months ended 31 March 2017	Year ended 31 December 2015
Profit for the period		100,696	63,285
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension schemes	20	(10,734)	5,768
Movement on deferred tax relating to change in tax rates		(157)	-
		(10,891)	5,768
Items that maybe subsequently reclassified to profit or loss			
Asset ceiling on pension		(8,694)	-
Movement of deferred tax relating to pension deficit		1,796	(1,038)
Movement on deferred tax relating to asset ceiling		1,478	-
		(5,420)	(1,038)
Other comprehensive income for the period, net of tax		(16,311)	4,730
Total comprehensive income for the period		84,385	68,015

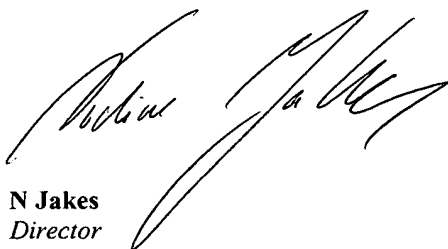
Statement of financial position

(All amounts in £ thousands unless otherwise stated)

	Note	As at 31 March 2017	As at 31 December 2015
Fixed assets			
Intangible assets	9	45,848	2
Property, plant and equipment	10	23,683	26,032
		69,531	26,034
Current assets			
Inventory	11	54,299	71,476
Trade and other receivables	12	77,984	127,202
Cash and cash equivalents		8,105	10,210
		140,388	208,888
Creditors – amounts falling due within one year	13	(87,718)	(141,398)
Net current assets		52,670	67,490
Total assets less current liabilities		122,201	93,524
Creditors – amounts falling due after more than one year	14	-	(9,527)
Provision for liabilities	15	(478)	(659)
Net assets		121,723	83,338
Equity			
Called up share capital	18	1,527	1,527
Share premium account		8,294	8,294
Retained earnings		111,902	73,517
Total shareholders' funds		121,723	83,338

The notes on pages 12 to 27 are an integral part to these financial statements

The financial statements on pages 8 to 27 were authorised for issue by the board of directors on 27th July 2017 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 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
Balance at 1 January 2016		1,527	8,294	73,517	83,338
Profit for the year		-	-	100,696	100,696
Other comprehensive income for the year:					
Actuarial losses on pensions scheme	20	-	-	(10,734)	(10,734)
Asset ceiling		-	-	(8,694)	(8,694)
Movement on deferred tax relating to pension deficit		-	-	1,639	1,639
Movement on deferred asset ceiling		-	-	1,478	1,478
Total comprehensive income for the year		1,527	8,294	157,902	167,723
Dividends				(46,000)	(46,000)
Transfer to income statement reserve					
Total transactions with owners recognised directly in equity				(46,000)	(46,000)
Balance as at 31 March 2017		1,527	8,294	111,902	121,723

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 91 to 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.

Consolidation

The company is a wholly owned subsidiary of Accord Healthcare Limited and of its ultimate parent Intas Pharmaceuticals. It is included in the consolidated financial statements of the immediate parent.

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 licenses, patents and trademarks are capitalised at their cost.

Intangible assets purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of ten to fifteen 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, pension 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 Teva group operated a number of equity-settled, share-based compensation plans, under which the entity received 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 was recognised as an expense. The total amount that was expensed was 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 were included in assumptions about the number of options that were expected to vest. The total expense was recognised over the vesting period, which is the period over which all of the specified vesting conditions were 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 were expected to vest based on the non-market vesting conditions. It recognised the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

On the divestment of Actavis UK Limited all shares and options accelerated vested and no liability is currently remaining on share based payments.

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 liabilities 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.

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:

	2017 £000	2015 £000
United Kingdom	398,950	320,217
Overseas	39,664	31,834
	438,614	352,051

4 Operating profit

	2017 £000	2015 £000
<i>Operating profit is stated after charging:</i>		
Depreciation of owned assets	5,500	4,142
Amortisation of owned assets	1,155	8
Profit/(loss) on disposal of fixed assets	(9,925)	-
Auditors' remuneration – audit	234	90
Auditors' remuneration – non audit	65	10
Operating lease rentals recognised as an expense	224	751
Net loss/(gain) on foreign currency translation	1,282	254
Research and development expenditure	341	315

Included in the auditors' remuneration above is £103,000 of audit fees and £17,000 of non-audit fees relating to the finalisation of the 2014 and 2015 financial statements. These were charged post 31 December 2015.

5 Interest receivable and similar income

	2017 £000	2015 £000
Bank interest	8	7
Other Interest	1,051	161
Net pension finance cost	-	-
	1,059	168

Of the above amounts £400,215 was receivable from group undertakings (2015: £160,641 receivable).

6 Interest payable and similar charges

	2017 £000	2015 £000
Other interest	-	728
Net pension finance cost	-	-
	-	728

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:

	2017	2015
Production	481	492
Selling & distribution	121	150
Administration	44	56
	646	698

The aggregate payroll costs of these persons were as follows:

	2017 £000	2015 £000
Wages and salaries	35,672	32,483
Social security costs	4,144	4,133
Other pension costs	3,742	2,721
	43,558	39,337

Staff costs include the following remuneration in respect of directors:

	2017 £000	2015 £000
Remuneration	3,866	1,506
Benefits	12	9
Company contributions to money purchase pension schemes	47	39
	3,925	1,554

Number of directors (who served during the year) accruing benefits under the company

money purchase pension scheme	2	4
defined benefit pension scheme	-	-
share award scheme	2	4

Highest paid director:

The highest paid director did not exercise any share options.

	2017 £000	2015 £000
Aggregate emoluments	1,997	649
Defined contribution pension scheme accrued pension at end of year	-	-

Notes to the financial statements (continued)

8 Income tax expense

	2017 £000	2015 £000
<i>Current tax</i>		
Current tax on income for the year	22,853	9,284
Group relief	0	7,137
Adjustments in respect of prior years	(160)	13
	22,693	16,434
<i>Deferred tax</i>		
Origination/reversal of timing differences (see note 15)	(233)	(283)
Adjustments in respect of prior years (see note 15)	52	(157)
FRS 17 adjustment recognised through the profit and loss account	1,612	1,718
Impact of differing tax rates	77	-
Tax on profit on ordinary activities	24,201	17,712

Factors affecting the tax charge for the current year

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). 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. At Budget 2016, the Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. This has also been substantively enacted. Accordingly, the closing deferred tax liability in these financial statements has been recognised at 17%.

	2017 £000	2015 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	124,897	80,997
Current tax at 20% (2015: 20.25 %)	24,979	16,402
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(286)	77
Depreciation in excess of capital allowances	631	216
Amortisation of Intangible Assets	(231)	-
Origination/reversal of timing differences	(2,317)	(3)
Adjustments to tax charge in respect of prior years	(160)	13
Impact of differing tax rates	77	(271)
Current tax charge for period (see above)	22,693	16,434

Notes to the financial statements (continued)

9 Intangible assets

	£000
Cost	
At beginning and end of year	8,574
Additions	47,001
	<u>55,575</u>
Accumulated amortisation	
At beginning of year	8,572
Charged in year	1,155
	<u>9,727</u>
At end of year	<u>9,727</u>
Net book value	
At 31 December 2015	2
At 31 March 2017	<u><u>45,848</u></u>

10 Property, plant and equipment

	Land & Freehold buildings £000	Plant and machinery £000	Fixtures & fittings £000	Total £000
Cost				
At 1 January 2016	13,946	63,681	2,123	79,750
Additions	351	2,912	198	3,461
Disposals	(67)	(4,301)	(1,137)	(5,505)
At 31 March 2017	<u>14,230</u>	<u>62,292</u>	<u>1,184</u>	<u>77,706</u>
Depreciation				
At 1 January 2016	5,547	46,904	1,267	53,718
Charge for the year	416	4,645	439	5,500
Disposals	(51)	(4,119)	(1,025)	(5,195)
31 March 2017	<u>5,912</u>	<u>47,430</u>	<u>681</u>	<u>54,023</u>
Net book value				
At 31 March 2017	<u><u>8,318</u></u>	<u><u>14,862</u></u>	<u><u>503</u></u>	<u><u>23,683</u></u>
At 31 December 2015	8,399	16,777	856	26,032

Included in land and freehold buildings is land with a cost of £672,000 (2015: £672,000) that has not been depreciated during the period.

Notes to the financial statements (continued)

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

	2017 £000	2015 £000
Cost	146	146
Accumulated amortisation	(112)	(66)
Net book value	34	80

11 Inventory

	2017 £000	2015 £000
Raw materials	5,727	6,587
Work in progress	5,861	6,764
Finished goods	42,711	58,125
	54,299	71,476

12 Trade and other receivables

	2017 £000	2015 £000
Trade receivables	52,831	88,282
Amounts owed by group undertakings	20,777	37,768
Prepayments and accrued income	856	1,152
Other receivables – deferred tax	3,520	-
	77,984	127,202

The deferred tax asset relates to timing difference on relief available for pension contributions paid in the period.

13 Creditors: amounts falling due within one year

	2017 £000	2015 £000
Trade creditors	18,677	15,926
Amounts owed to group undertakings	2,720	68,268
Corporation tax	6,168	1,465
Other taxation and social security	10,736	16,756
Accruals and deferred income	49,417	38,983
	87,718	141,398

Axis Trustee Services Limited has a charge over the Freehold Land and Buildings at our owned Barnstaple manufacturing plant and offices.

Notes to the financial statements *(continued)*

14 Creditors: amounts falling due after more than one year

	2017 £000	2015 £000
Defined benefit pension scheme liability	-	9,527
	<u>-</u>	<u>9,527</u>

15 Provisions for liabilities

	2017 £000	2015 £000
Deferred taxation		
At beginning of period	659	1,099
Debit to the profit and loss for the period	(181)	(440)
At end of period	<u>478</u>	<u>659</u>

The elements of the deferred taxation provision are as follows:

	2017 £000	2015 £000
Difference between accumulated depreciation and amortisation and capital allowances	481	787
Other timing differences	(3)	(128)
Undiscounted provision for deferred tax	<u>478</u>	<u>659</u>

As per note 12, there is also a £3,520,000 (2015: nil) deferred tax asset.

16 Capital commitments

	2017 £000	2015 £000
Contracted but not provided for in these financial statements	<u>325</u>	<u>1,079</u>

Notes to the financial statements *(continued)*

17 Lease commitments

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

	2017 £000	2015 £000
Payments due:		
Land and buildings		
Not later than one year	11	8
After one year but not more than five years	-	-
	<u>11</u>	<u>8</u>
Other		
Not later than one year	318	433
After one year but not more than five years	452	403
	<u>770</u>	<u>836</u>

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

	2017 £000	2015 £000
Future minimum payments due:		
Not later than one year	19	0
After one year but not more than five years	37	144
	<u>56</u>	<u>144</u>
Less finance charges allocated to future payments	(6)	(37)
Present value of minimum lease payments	<u>50</u>	<u>107</u>
The present value of minimum lease payments is analysed as follows:		
Not later than one year	13	0
After one year but not more than five years	37	107
	<u>50</u>	<u>107</u>

18 Called up share capital

Allotted, called up and fully paid

1,527,081 (2016: 1,527,081) ordinary shares of £1 each (2016: £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

The company's ultimate parent undertaking is Intas Pharmaceuticals Ltd., a company registered and trading in India. The company's immediate parent undertaking is Accord Healthcare Ltd which is incorporated in the UK.

The largest group into which the results of the company is consolidated is that headed by Intas Pharmaceuticals Ltd and the smallest group into which the results of the company is consolidated is that headed by Accord Healthcare Ltd.

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 15 Months represents contributions payable by the Company to the scheme and amounted to £31,312,000 (2015: £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 2015 and was updated for FRS 101 purposes to 31 March 2017 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.

	2017 £000	2015 £000
Present value of funded defined benefit obligations	(87,422)	(68,675)
Fair value of plan assets	96,173	57,057
Asset ceiling	(8,751)	-
Surplus/ (Deficit)	-	(11,618)
Related deferred tax asset	-	2,091
Net liability	-	(9,527)

Movements in present value of defined benefit obligation

	2017 £000	2015 £000
At 1 January	(68,675)	(73,606)
Interest cost	(3,394)	(2,704)
Actuarial gain/(loss) arising from:		
- Changes in financial assumptions	(22,451)	3,740
- Changes in demographic assumption	1,781	-
- Experience gains/losses	3,741	2,843
Benefits paid	1,576	1,052
At 31 March	(87,422)	(68,675)

Movements in fair value of plan assets

	2017 £000	2015 £000
At 1 January	57,057	54,560
Interest income on plan assets	3,185	2,021
Return/loss on plan assets in excess of interest income	6,195	(815)
Contributions by employer	31,312	2,343
Benefits paid	(1,576)	(1,052)
At 31 March	96,173	57,057

Notes to the financial statements (continued)

20 Pension Scheme (continued)

Expense recognised in the income statement

	2017 £000	2015 £000
Interest cost on defined pension plan obligation	(3,394)	(2,704)
Interest on effect of asset ceiling	-	-
Interest income on defined benefit pension plan assets	<u>3,185</u>	<u>2,021</u>
Total	<u>(209)</u>	<u>(683)</u>

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

	2017 £000	2015 £000
Interest payable and similar charges	<u>(209)</u>	<u>(683)</u>
Total	<u>(209)</u>	<u>(683)</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a loss of £10,734,000 (2015: gain of £5,768,000).

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 £26,391,000 (2015 loss of £15,657,000).

The fair value of the plan assets were as follows:

	2017 £000	2015 £000
Equities	33,098	28,649
Bonds	25,460	22,404
Cash and other investments	<u>37,615</u>	<u>6,004</u>
	<u>96,173</u>	<u>57,057</u>

The expected return on assets for the accounting period starting immediately after the accounting date is the long term rate of return on the actual assets held by the plan. 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:

	2017	2015
Discount rate	2.8% pa	4.0% pa
Inflation – RPI	3.5% pa	3.4% pa
Salary growth	5.0% pa	4.9% pa
Pension increases in deferment – Pre April 2009	3.5% pa	3.4% pa
Pension increases in deferment – Post April 2009	2.5% pa	2.5% pa
Pension increases in payment – Fix 3%	3.0% pa	3.0% pa
Pension increases in payment – RPI, max 5%	3.4% pa	3.3% pa
Pension increases in payment – RPI, max 2.5%	2.4% pa	2.4% pa
Base mortality table	S2PMA/S2PFA	S1PMA/S1PFA

The plan is fully funded, the company expects to make no contributions to its defined benefit plan in the next financial year.

The table below illustrates the estimated impact on the scheme's liabilities as at 31 March 2017 as a result of movements in the principal assumptions used to measure those liabilities.

	2017
Increase / decrease discount rate by 0.5% p.a.	-11% / +13%
Increase / decrease assumed rate of future inflation by 0.5% p.a.	+9% / -9%
Increase / decrease assumed rate of salary growth by 0.5% p.a.	+4% / -3%

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 scheme's 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:

	2017	2015
Life expectancies at age 65:	Years	Years
Current pensioners at retirement age – male	87.5	87.8
Current pensioners at retirement age – female	89.6	90.2
Future pensioners at retirement age – male	89.7	90.1
Future pensioners at retirement age – female	91.9	92.5

Notes to the financial statements *(continued)*

21 Share Based Compensation Schemes

Employees of Actavis UK Limited participated in share based compensation schemes of Allergan Plc and Teva. Prior to the divestment of Actavis UK Limited to Accord Healthcare all shares and options accelerated vested and no obligation is remaining as of the 31.March 2017.

Details of outstanding awards at 31 March 2017:

Nil

During the year the share based compensation cost recognised in the income statement in respect of these awards was £1,766,215.25 (2015: £1,267,470).

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.

22 Information on related undertakings

During the year the Company made contributions of £31.3m 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.

23 Subsequent events

In a supreme court ruling in early July the court allowed Eli Lilly's appeal and holds that Actavis' Pemetrexed products directly infringe Eli Lilly's patent in the United Kingdom. No provisions have been made in these accounts as no reliable estimates can be made at this time.