

# **Accord-UK Ltd**

Report and financial statements  
Registered number 00079585  
For the year ended 31 March 2019

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## Strategic report

The Directors present their strategic report on the company for the year ended 31 March 2019.

### 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 decreased as shown in the income statement to £58 million (2018: £60 million).

The company operates predominately in a highly competitive UK pharmaceutical market environment where new entrants and established competitors are continually putting pressure on market prices and the UK Government seeks to control the cost of medicines to the National Health Service.

The company retains its 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 manufacturing capabilities and competitive cost base
- Rapidly responding to changing market requirements;
- Different customer service offerings
- Broad portfolio offering and successful new launch strategy of generic and novel medicines
- Good cost control and streamlining of business process to gain efficiency savings.

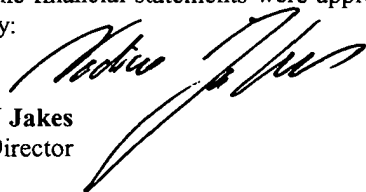
	2019	2018	Comments
Revenue growth	(3%)	(21%)	Revenue declined by 3% year on year. UK sales volume increased 14% in the same period but was more than offset by price erosion on key products.
Operating profit %	21.1%	21.1%	Consistent operating margin as reduced product profitability offset by cost savings and efficiency gains.

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 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.

Accord-UK Ltd has fully installed FMD equipment on all its packing lines to comply with legislation to prevent circulation of counterfeit medicines (EU Falsified Medicines Directive).

The financial statements were approved by the Board of Directors on 19<sup>th</sup> June 2019 and signed on its behalf by:

N Jakes  
Director



## **Directors' report**

### **Directors' report for the year ended 31 March 2019**

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

#### **Significant transactions in the year**

In January 2018 Accord-UK Ltd purchased a warehouse and distribution unit in Didcot, Oxfordshire with the aim to create a market leading automated distribution centre to further enhance service offerings to customers.

During the year Accord-UK invested in the recommissioning and upgrade of the facility and received MHRA approval to operate from the site in April 2019.

#### **Future Developments**

The strategy of Accord-UK Ltd is to continue its growth and leadership position in 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
- cost leadership through continued efficiency programs and access to Intas Group supply chains and scale

Accord-UK Ltd operates predominately in the UK market; however the uncertainty around the UK's future trading relationship with the EU could be a risk to the Company especially the ability to release products into European markets.

#### **Dividends**

The directors paid a dividend of £45m or £29.47 per share (2018: £60m or £39.29 per share) to its immediate parent company, Accord Healthcare Ltd.

#### **Political expenditure**

During the 2019 financial year the company made no political contributions (2018: 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.

## **Directors' report** *(continued)*

### **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.

### **Foreign currency risks**

Foreign currency exchange risk arises from purchases and 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:

Dr J Burt  
Mrs N Jakes  
Mr J Wilson  
Mrs S Lee  
Mrs P Lethbridge

### **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 year. 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:

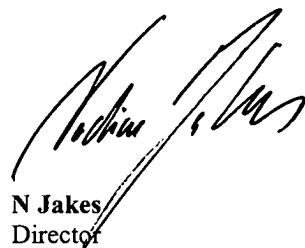
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates 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 19<sup>th</sup> June 2019 and signed on its behalf by:



N Jakes  
Director

Whiddon Valley  
Barnstaple  
Devon  
EX32 8NS

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCORD-UK LIMITED

### Opinion

We have audited the financial statements of Accord-UK Limited for the year ended 31 March 2019 which comprise of the Income statement, Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based

on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

John Howarth (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

25 June 2019

## Income statement

(All amounts in £ thousands unless otherwise stated)

	Note	12 Months ended 31 March 2019	12 Months ended 31 March 2018
<b>Revenue</b>	3	<b>270,333</b>	<b>278,145</b>
Cost of sales		(165,493)	(159,801)
<b>Gross profit</b>		<b>104,840</b>	<b>118,344</b>
Distribution costs		(12,379)	(7,017)
Administrative expenses		(35,587)	(52,252)
Other (expense)/income		139	(303)
<b>Operating profit</b>	4	<b>57,013</b>	<b>58,772</b>
Finance income	5	1,000	1,460
Finance costs	6	(134)	(4)
Finance costs – net		866	1,456
<b>Profit on ordinary activities before income tax</b>		<b>57,879</b>	<b>60,228</b>
Income tax expense on ordinary activities	8	(11,290)	(11,522)
<b>Profit for the year</b>		<b>46,589</b>	<b>48,706</b>

All amounts relate to continuing operations.

## Statement of comprehensive income

(All amounts in £ thousands unless otherwise stated)

	Note	12 Months ended 31 March 2019	12 Months ended 31 March 2018
<b>Profit for the year</b>		<b>46,589</b>	<b>48,706</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial (loss)/ gain on pension schemes	19	116	(23,003)
Movement on deferred tax relating to change in tax rates		-	319
		<b>116</b>	<b>(22,684)</b>
<b>Items that maybe subsequently reclassified to profit or loss</b>			
Asset ceiling on pension	19	(1,046)	9,080
Movement of deferred tax relating to pension deficit		(22)	4,472
Movement on deferred tax relating to asset ceiling		199	(1,725)
		<b>(869)</b>	<b>11,827</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(753)</b>	<b>(10,857)</b>
<b>Total comprehensive income for the year</b>		<b>45,836</b>	<b>37,849</b>

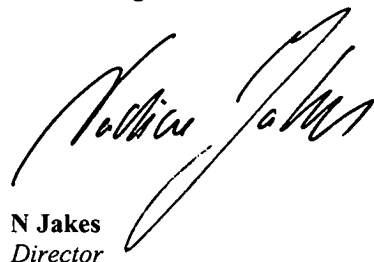
## Statement of financial position

(All amounts in £ thousands unless otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
<b>Fixed assets</b>			
Intangible assets	9	29,593	39,362
Property, plant and equipment	10	52,304	35,673
		<b>81,897</b>	<b>75,035</b>
<b>Current assets</b>			
Inventory	11	66,284	55,191
Trade and other receivables	12	30,279	75,610
Cash and cash equivalents		1,052	627
		<b>97,615</b>	<b>131,428</b>
<b>Creditors – amounts falling due within one year</b>	13	<b>75,454</b>	<b>(97,950)</b>
<b>Net current assets</b>		<b>22,161</b>	<b>33,478</b>
<b>Total assets less current liabilities</b>		<b>104,058</b>	<b>108,513</b>
Provision for liabilities	14	(2,069)	(8,941)
<b>Net assets</b>		<b>101,989</b>	<b>99,572</b>
<b>Equity</b>			
Called up share capital	17	1,527	1,527
Share premium account		8,294	8,294
Retained earnings		92,168	89,751
<b>Total shareholders' funds.</b>		<b>101,989</b>	<b>99,572</b>

The notes on pages 13 to 28 are an integral part to these financial statements

The financial statements on pages 9 to 28 were authorised for issue by the board of directors on 19<sup>th</sup> June 2019 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
<b>Balance at 1 April 2017</b>		<b>1,527</b>	<b>8,294</b>	<b>111,902</b>	<b>121,723</b>
Profit for the year		-	-	48,706	48,706
<b>Other comprehensive income for the year:</b>					
Actuarial losses on pensions scheme	19	-	-	(23,003)	(23,003)
Asset ceiling		-	-	9,080	9,080
Movement on deferred tax relating to pension deficit and rate changes		-	-	4,791	4,791
Movement on deferred asset ceiling		-	-	(1,725)	(1,725)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>37,849</b>	<b>37,849</b>
Dividends		-	-	(60,000)	(60,000)
Transfer to income statement reserve		-	-	-	-
Total transactions with owners recognised directly in equity		-	-	(60,000)	(60,000)
<b>Balance as at 31 March 2018</b>		<b>1,527</b>	<b>8,294</b>	<b>89,751</b>	<b>99,572</b>
<b>Balance at 1 April 2018</b>		<b>1,527</b>	<b>8,294</b>	<b>89,751</b>	<b>99,572</b>
Profit for the year				46,589	46,589
<b>Other comprehensive income for the year:</b>					
Actuarial losses on pensions scheme	19	-	-	116	116
Asset ceiling		-	-	(1,046)	(1,046)
Movement on deferred tax relating to pension deficit and rate changes		-	-	(22)	(22)
Movement on deferred asset ceiling		-	-	199	199
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>45,836</b>	<b>45,836</b>
Dividends		-	-	(45,000)	(45,000)
Deemed capital contribution				1,581	1,581
<b>Total transactions with owners recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>(43,419)</b>	<b>(43,419)</b>
<b>Balance as at 31 March 2019</b>		<b>1,527</b>	<b>8,294</b>	<b>92,168</b>	<b>101,989</b>

## Notes to the financial statements

### 1 General Information

The principal activity of Accord-UK Ltd is the manufacture and distribution of pharmaceutical preparations and products.

The company is a private company limited by shares 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 Accord-UK Ltd 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 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. 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 Limited. 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 contributes to a defined contribution pension scheme. 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. Differences between contributions payable in the year and contributions actually paid are shown as accruals in the balance sheet.

The Companies defined benefit scheme is closed to future accrual and liabilities are secured with an insurance buy-in contract. 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 is restricted by an asset ceiling adjustment. The movement in the scheme is split between past service costs, 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***

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.



## Notes to the financial statements (*continued*)

### ***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 acceptance 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.

The Company has adopted IFRS 15 in this financial year, however considering our customer base and the contracts with our customers, there are no material difference from previous revenue recognition policies.

### ***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.

### ***Financial instruments***

In 2018, an assessment of the Company's adherence to IFRS 9 was performed against the requirements of IAS 39, which had an effective date of 1 January 2018. It was concluded that the Company's existing strategy was IFRS 9 compliant, apart from small changes for disclosure purpose.

### ***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.

The following new standards, new interpretations and amendments to standards and interpretations that the Directors consider relevant to the company, have been issued but are not effective for the current financial year and have not been early adopted:

IFRS 16 'Leases' is effective for annual periods beginning on or after 1st January 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases.

## Notes to the financial statements *(continued)*

On adoption of IFRS 16 the Company will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the Income Statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in operating expenses and an increase in finance costs. The standard will also impact a number of statutory measures such as operating profit and cash generated from operations. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete.

### ***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 and pension costs. These assumptions, individually or collectively, may be different to actual outcomes; refer to note 19 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.

#### **Legal Provisions**

The company is party to some legal cases in various stages of litigation as disclosed in provisions (Note 14) and Contingent Liabilities. The amount of damages and costs is not known and judgement is required in determining the provision.

## 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:

	2019 £000	2018 £000
United Kingdom	250,146	261,223
Overseas	20,187	16,922
	<b>270,333</b>	<b>278,145</b>

### 4 Operating profit

	2019 £000	2018 £000
<i>Operating profit is stated after charging:</i>		
Depreciation of owned assets	3,678	3,937
Amortisation of owned assets	5,813	6,156
Loss on disposal of fixed and intangible assets	3,955	293
Auditors' remuneration – audit	149	257
Operating lease rentals recognised as an expense	573	498
Net loss/(gain) on foreign currency translation	(140)	303
Research and development expenditure	821	1,057
Cost of stocks recognised as an expense (included in cost of sales)	3,817	4,133

### 5 Interest receivable and similar income

	2019 £000	2018 £000
Other Interest	1,000	1,460
	<b>1,000</b>	<b>1,460</b>

Of the above amounts £1,000,169 was receivable from group undertakings (2018: £1,460,650 receivable).

### 6 Interest payable and similar charges

	2019 £000	2018 £000
Other interest	134	4
	<b>134</b>	<b>4</b>

## 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:

	2019	2018
Production, regulatory & quality	517	488
Selling & distribution	127	115
Administration	62	55
	<b>706</b>	<b>658</b>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	30,371	26,712
Social security costs	3,079	2,892
Other pension costs	(319)	2,143
	<b>33,131</b>	<b>31,747</b>

Staff costs include the following remuneration in respect of directors:

	2019 £000	2018 £000
Remuneration	1,116	2,284
Benefits	7	9
Company contributions to money purchase pension schemes	-	6
	<b>1,123</b>	<b>2,299</b>

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

money purchase pension scheme	-	1
share award scheme	4	4

### Highest paid director:

The highest paid director did not exercise any share options.

	2019 £000	2018 £000
Aggregate emoluments	381	1,292
Defined contribution pension scheme accrued pension at end of year	-	-

## Notes to the financial statements (*continued*)

### 8 Income tax expense

	2019 £000	2018 £000
<i>Current tax</i>		
Current tax on income for the year	11,377	11,877
Group relief	-	-
Adjustments in respect of prior years	(225)	(202)
	<u>11,152</u>	<u>11,675</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences (see note 14)	(223)	(244)
Adjustments in respect of prior years (see note 14)	36	91
FRS 17 adjustment recognised through the profit and loss account	-	-
Impact of differing tax rates	-	-
Tax on profit on ordinary activities	<u>11,290</u>	<u>11,522</u>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). 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. The closing deferred tax liability in these financial statements has been recognised at 17% other than the deferred tax asset related to the pension scheme as this is expected to fully unwind within the next 12 months and has therefore been recognised at 19%.

	2019 £000	2018 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	57,879	60,228
Current tax at 19% (2018: 19 %)	<u>10,997</u>	<u>11,443</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	125	22
Depreciation in excess of capital allowances	997	1,157
Amortisation of Intangible Assets	(1,104)	(781)
Origination/reversal of timing differences	362	36
Adjustments to tax charge in respect of prior years	(225)	(202)
Impact of differing tax rates	0	0
Current tax charge for period (see above)	<u>11,152</u>	<u>11,675</u>

## Notes to the financial statements (continued)

### 9 Intangible assets

	£000
<b>Cost</b>	
At beginning and end of year	55,202
Impairments	(5,095)
At end of year	<u>50,107</u>
<b>Accumulated amortisation</b>	
At beginning of year	15,840
Charged in year	5,813
Impairment in the year	(1,139)
At end of year	<u>20,514</u>
<b>Net book value</b>	
At 31 March 2018	39,362
At 31 March 2019	<u>29,593</u>

### 10 Property, plant and equipment

	Land & Freehold buildings £000	Plant and machinery £000	Fixtures & fittings £000	Total £000
<b>Cost</b>				
At 31 March 2018	29,393	62,746	1,397	93,536
Additions	401	19,357	551	20,309
Disposals	-	(43)	-	(43)
At 31 March 2019	<u>29,794</u>	<u>82,060</u>	<u>1,948</u>	<u>113,802</u>
<b>Depreciation</b>				
At 31 March 2018	6,259	50,704	900	57,863
Charge for the year	366	3,037	275	3,678
Disposals	-	(43)	-	(43)
31 March 2019	<u>6,625</u>	<u>53,698</u>	<u>1,175</u>	<u>61,498</u>
<b>Net book value</b>				
At 31 March 2019	<u>23,169</u>	<u>28,362</u>	<u>773</u>	<u>52,304</u>
At 31 March 2018	<u>23,134</u>	<u>12,042</u>	<u>497</u>	<u>35,673</u>

Included in land and freehold buildings is land with a cost of £14,786,407 (2018: £14,786,407) that has not been depreciated during the period.

## Notes to the financial statements *(continued)*

### 10 Property, plant and equipment *(continued)*

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

	2019 £000	2018 £000
Cost	214	146
Accumulated amortisation	(170)	(135)
Net book value	<u>44</u>	<u>11</u>

### 11 Inventory

	2019 £000	2018 £000
Raw materials	9,604	6,326
Work in progress	8,688	5,295
Finished goods	47,992	43,570
	<u>66,284</u>	<u>55,191</u>

### 12 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	23,988	52,827
Amounts owed by group undertakings	3,613	18,510
Prepayments and accrued income	1,344	1,239
Other receivables – deferred tax	1,334	3,034
	<u>30,279</u>	<u>75,610</u>

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

### 13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	22,085	22,442
Amounts owed to group undertakings	14,365	12,215
Corporation tax	6,512	202
Other taxation and social security	1,122	2,319
Accruals and deferred income	31,370	58,847
Defined benefit pension scheme liability	-	1,925
	<u>75,454</u>	<u>97,950</u>

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

Amounts owed to group undertakings are on terms of 30 days from Invoice Date

## Notes to the financial statements (continued)

### 14 Provisions for liabilities

	2019 £000	2018 £000
<b>Deferred taxation</b>		
At beginning of period	387	478
Movement during the period	139	(91)
<b>At end of period</b>	<b>526</b>	<b>387</b>
Other Provisions	1,543	8,554
	<b>2,069</b>	<b>8,941</b>

The elements of the deferred taxation provision are as follows:

	2019 £000	2018 £000
Difference between accumulated depreciation and amortisation and capital allowances	832	389
Other timing differences	(306)	(2)
Undiscounted provision for deferred tax	<b>526</b>	<b>387</b>

As per note 12, there is also a £1,334,000 (2018: £3,034,000) deferred tax asset.

Other Provisions contains provisions for legal cases including a CMA investigation on Paroxetine.

### 15 Capital commitments

	2019 £000	2018 £000
Contracted but not provided for in these financial statements	<b>3,432</b>	<b>3,075</b>



## Notes to the financial statements (continued)

### 16 Lease commitments

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

	2019 £000	2018 £000
Payments due:		
Land and buildings		
Not later than one year	13	5
After one year but not more than five years	54	
After five years	2,595	
	<u>2,662</u>	<u>5</u>
Other		
Not later than one year	-	58
After one year but not more than five years	554	476
	<u>554</u>	<u>534</u>

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

	2019 £000	2018 £000
Future minimum payments due:		
Not later than one year	-	12
After one year but not more than five years	59	-
	<u>59</u>	<u>12</u>
Less finance charges allocated to future payments	(27)	(1)
Present value of minimum lease payments	<u>32</u>	<u>11</u>

The present value of minimum lease payments is analysed as follows:

	2019	2018
Not later than one year	32	11
After one year but not more than five years		
	<u>32</u>	<u>11</u>

### 17 Called up share capital

Allotted, called up and fully paid 1,527,081 (2018: 1,527,081) ordinary shares of £1 each (2018: £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.

### 18 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)

### 19 Pension scheme

#### Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the 12 Months represents contributions payable by the Company to the scheme and amounted to £2,533,769 (2018: £2,153,314).

There were outstanding contributions at the end of the year of £ 314,408.

#### Defined benefit pension scheme

The company operates a defined benefit pension scheme, The assets of the Scheme are held separately from the assets of the Company. The latest full actuarial valuation was carried out at 1 October 2015 and was updated for FRS 101 purposes to 31 March 2019 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. In November 2017, the trustees of the Scheme entered into a 'buy-in' contract to secure annuity policies covering all pensions currently in payment (together with attaching dependants' pensions) and the liability for the future benefits for the remaining active and deferred pensioner members.

The following disclosures relate to the defined benefit scheme alone.

	2019 £000	2018 £000
Present value of funded defined benefit obligations	(83,644)	(83,033)
Fair value of plan assets	84,690	81,108
Asset ceiling	(1,046)	-
Deficit	-	(1,925)
Related deferred tax asset	1,334	3,034
Net asset	1,334	1,109

#### Movements in present value of defined benefit obligation

	2019 £000	2018 £000
At 1 April 2018 and 1 April 2017	(83,033)	(87,422)
Past service cost	2,905	-
Interest cost	(2,219)	(2,413)
Actuarial gains/(loss) arising from:		
- Changes in financial assumptions	(3,925)	(178)
- Changes in demographic assumption	909	3,133
- Experience gains/losses	-	1,374
Benefits paid	1,719	2,473
At 31 March	(83,644)	(83,033)

#### Movements in fair value of plan assets

	2019 £000	2018 £000
At 1 April 2018 and 1 April 2017	81,108	96,173
Interest income on plan assets	2,167	2,742
Return/(loss) on plan assets in excess of interest income	3,134	(27,331)
Contributions by employer	-	11,997
Benefits paid	(1,719)	(2,473)
At 31 March	84,690	81,108

## Notes to the financial statements (continued)

### 19 Pension Scheme (continued)

*Income/(Expense) recognised in the income statement*

	2019 £000	2018 £000
Past service income/(cost)	2,905	-
Interest income/(cost) on defined pension plan obligation	(2,219)	(2,413)
Interest on effect of asset ceiling	-	(329)
Interest income/(cost) on defined benefit pension plan assets	2,167	2,742
	<hr/>	<hr/>
Total	2,853	-

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

	2019 £000	2018 £000
Administrative expenses	2,853	-
	<hr/>	<hr/>
Total	2,853	-

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a gain of £116,000 (2018 loss: £23,003,000).

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 £49,277,000 (2018 loss of £49,393,000).

The fair value of the plan assets were as follows:

	2019 £000	2018 £000
Cash and other investments	461	475
Insurance policies	84,229	80,633
	<hr/>	<hr/>
	84,690	81,108

## Notes to the financial statements *(continued)*

### 19 Pension Scheme *(continued)*

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

	2019	2018
Discount rate	2.5% pa	2.7% pa
Inflation – RPI	3.4% pa	3.4% pa
Salary growth	n/a	4.9% pa
Pension increases in deferment – Pre April 2009	3.4% pa	3.4% pa
Pension increased 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%	3.3% pa	3.3% pa
Pension increases in payment – RPI, max 2.5%	2.4% pa	2.4% pa
Base mortality table	S3PMA/S2PFA	S2PMA/S2PFA

### Post retirement mortality assumptions

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

	2019	2018
Life expectancies at age 65:	Years	Years
Current pensioners at retirement age – male	86.9	87.1
Current pensioners at retirement age – female	89.2	89.0
Future pensioners at retirement age – male	88.6	88.8
Future pensioners at retirement age – female	90.9	90.8

## Notes to the financial statements (continued)

### 20 Share Based Payments

The employee stock option scheme (ESOS) consists of share options of the parent company granted to the senior executives of Accord-UK Ltd. The employee stock appreciation rights plan (ESAR) of the parent is also granted to the senior executives of the company.

The summary of the plan is as follows

	ESOS	ESAR
Exercise price	£18.13	
Fair value at grant date	£16.11	£29.51
Grant date	1 January 2018	1 January 2018
Vesting dates	1 January 2019 (30% of the shares)	1 January 2019 (30% of the shares)
	1 January 2020 (30% of the shares)	1 January 2020 (30% of the shares)
	1 January 2021 (40% of the shares)	1 January 2021 (40% of the shares)
Number of shares issued	91,035 shares of the Parent company "Intas Pharmaceuticals Limited"	32,429 shares of the Parent company "Intas Pharmaceuticals Limited"

As per the Black Scholes Option Pricing Model, if the ESOS has an exercise price of £18.13, the fair value of the shares is £16.11

### 21 Information on related undertakings

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.

### 22 Contingent Liabilities

The Competition and Markets Authority (CMA) is currently investigating matters relating to the pricing of Hydrocortisone in the UK. The CMA has previously issued a draft penalty statement indicating the fine it proposed to issue in connection with its investigation into Accord-UK Limited's (formerly Actavis UK Limited) pricing of Hydrocortisone tablets in the UK. However, the company is advised that the level of the fine proposed by the CMA is open to serious question from a legal point of view and representations challenging every aspect of the proposed fine have been made to the CMA. Furthermore, there have subsequently been significant developments in the area of law pertinent to the investigation, which are not yet settled finally, and it is not clear how the CMA may be planning to amend its case in light of these changes. Fines for competition law infringements can be up to 10% of the global group turnover. However, given the current uncertainty, it is not possible to quantify any such fine in relation to the investigation into the pricing of Hydrocortisone, where the investigation is ongoing. If any fine is ultimately imposed, the company will have the opportunity to appeal that fine. If a fine is imposed and any appeal is ultimately unsuccessful, litigation may be issued against the company and group in connection with these matters.

### 23 Contingent Assets

In relation to Note 22, if any such fines are imposed (and any appeals are unsuccessful) the company may benefit from contractual protections/indemnification in connection with these matters from third parties, which would offset a significant part of any losses suffered by the company. Such protections arise from the agreements relating to the divestment of Actavis UK Limited (now Accord-UK) by its previous owner and its acquisition by Intas Pharmaceuticals Limited. Given the current uncertainty, it is therefore not possible to quantify the value of any such assets. However, as the contractual protections/indemnification covers the period up to closing of that divestment in January 2017 and given that the alleged infringement relating to the pricing of Hydrocortisone tablets in the UK is for the most part historical, the directors therefore estimate that the contractual protection indemnification should significantly offset any related contingent liability that may arise.