

Rosemont Pharmaceuticals Limited

Annual Report and Financial Statements

Registered number 924648

31 December 2016

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Corporate Information

Directors:

PM O'Sullivan
P Thompson (appointed 1 September 2017)
N T Lister (appointed 5 February 2016)
N Thomas (appointed 5 February 2016)
MA Tucker (resigned 31 October 2016)
RP Howard (resigned 5 February 2016)

Secretary and Registered Office:

Annette Corcoran
Wrafton
Braunton
Devon
EX33 2DL

Company Number: 924648

Auditors:

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Strategic Report

The directors present their Strategic Report for the 12 months ended 31 December 2016.

Principal Activities

The principal activity of the company is the development, manufacture and sale of oral liquid medicines.

Business Review

The directors consider the company's trading position to be satisfactory and the profits for the year are set out in the statement of comprehensive income on page 7.

The directors report a turnover of £46,292 million for the 12 month year ended 31 December 2016 compared to a turnover of £63,398 million for the 18 month period ended 31 December 2015. The profit on ordinary activities before taxation and before exceptional expenses for the year of £24,332 million, 53% of turnover, compares with £30,309 million, 48% of turnover, achieved in the previous 18 month period.

Key Performance Indicators

The group's KPIs cover all areas of the business, but the directors still believe that the primary differentiator of the group from its competitors is the high quality of both its existing products and its new product pipeline. The pursuit of quality was combined with a clear focus on maintaining high levels of product availability across the customer base, from hospitals to wholesalers and retail pharmacies, ensuring the reliable supply of high quality medicines for vulnerable patients. In line with previous periods, the company again ensured product availability of over 99% for its customers, whilst also continuing to focus on growing its business overseas. During the year the group maintained ISO14001, Investors in People and Positive about Disabled People accreditations.

Principal Risks and Uncertainties

The directors perceive the principal risks and uncertainties facing the company to be the financial uncertainty and cost pressures within National Health Service direct and also the domestic and international currency fluctuations leading to price inflation of raw materials and products.

The main financial risks arising from the company's activities are credit risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made.

The company's policy is to monitor currency requirements on a weekly basis and where appropriate purchase on a forward basis to cover its demands.

In respect of liquidity risk the company monitors cash flow as part of its day to day procedures. Cash flow projections are considered on a monthly basis to ensure where applicable appropriate facilities are available to be drawn upon as necessary.

In respect of legislative risk, in the UK the OTC market is mainly governed by Medicines & Healthcare products Regulatory Agency (MRHA) and therefore any changes in regulatory requirements could impact on the products we can sell/advertise. To reduce this risk we have a regulatory team who ensure they keep up to date on expected future changes and the potential impact to Rosemont Pharmaceuticals Ltd.

By order of the Board

PM O'Sullivan
Director



Wrafton
Braunton
Devon
EX33 2DL

Date: 22 September 2017

Directors' Report

The directors present their annual report and the audited financial statements for the 12 month year ended 31 December 2016.

Directors

The directors who held office during the year and up to the date of approval of the financial statements were as follows:

PM O'Sullivan
P Thompson (appointed 1 September 2017)
N T Lister (appointed 5 February 2016)
N Thomas (appointed 5 February 2016)
MA Tucker (resigned 31 October 2016)
RP Howard (resigned 5 February 2016)

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Research and development

The company continues an active programme of research and development, the costs of which amounted to £488,000 in the 12 month year (period ended 31 December 2015: £3,657,000).

Future developments

The company will continue to focus on distributing pharmaceutical products to the high street retail multiples and contract customers and looks to continue to invest in capital expenditure projects to enhance its manufacturing capacity and capabilities.

Events after the end of the reporting period

In anticipation of liquidation of Rosemont Group Ltd and Rosemont Holdings Ltd legal entities in year 2017, the company forgave intercompany loans with a carrying value of £133,840,000 as at 31 December 2016 in respect of the two legal entities.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Political and Charitable Donations

The company made no political donations during the year (period ended 31 December 2015: £0). Charitable donations amounted to £15,202 (period ended 31 December 2015: £21,141).

Dividend

The company received no dividends from subsidiary undertakings in the current year or previous period.

No dividend was paid during the current year or previous period.

Employees

The directors recognise the importance of human resources. Practices to promote good communications and relations with employees include regular meetings of the Employee Works Council and the use of company newsletters.

The company gives full and fair consideration to applications from disabled persons. If an employee becomes disabled, the company endeavours to continue their employment if this is practical and, in appropriate cases, training is given.

Rosemont Pharmaceuticals Limited supports both internal and external training programmes.

The company operates a profit related bonus scheme.

Directors' Report *(continued)*

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

Ernst and Young LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the next board meeting.



By order of the Board
PM O'Sullivan
Director

Date: 22 September 2017

Wrafton
Braunton
Devon
EX33 2DL

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable to the UK & Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSEMONT PHARMACEUTICALS LIMITED

We have audited the financial statements of Rosemont Pharmaceuticals Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Strategic report and Directors 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSEMONT PHARMACEUTICALS LIMITED *(continued)*

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 require 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.



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

Date: 26 September 2017

Statement of Comprehensive Income
for the 12 month year ended 31 December 2016

	<i>Note</i>	Year ended 31 December 2016	18 month period ended 31 December 2015
		£000	£000
Turnover	2	46,292	63,398
Cost of sales		(14,279)	(19,423)
Gross profit		32,013	43,975
Distribution costs		(661)	(974)
Administrative expenses		(8,118)	(13,599)
Operating profit	3	23,234	29,402
Exceptional expenses	22	(133,846)	-
Other interest receivable and similar income	6	1,098	907
(Loss)/Profit on ordinary activities before taxation		(109,514)	30,309
Tax on (loss)/profit on ordinary activities	7	(4,570)	(5,851)
(Loss)/Profit for the financial year/period		(114,084)	24,458
Total comprehensive (loss)/income for the year/period		(114,084)	24,458

There are no recognised gains or losses other than the profit for the current year or prior period.

All amounts relate to continuing activities.

The notes on pages 10 to 22 form part of these financial statements.

Statement of Financial Position
at 31 December 2016

	<i>Note</i>	31 December 2016	31 December 2015
		£000	£000
Fixed assets			
Intangible assets	8	2,361	4,432
Tangible assets	9	4,571	4,244
		6,932	8,676
Current assets			
Stock	11	4,133	4,014
Debtors	12	8,898	119,237
Cash at bank and in hand		12,364	11,825
		25,395	135,076
Creditors: amounts falling due within one year	13	(12,068)	(9,409)
Net current assets		13,327	125,667
Total assets less current liabilities		20,259	134,343
Net assets		20,259	134,343
Capital and reserves	15		
Called up share capital		1,762	1,762
Profit and loss account		18,497	132,581
Shareholders' funds		20,259	134,343

These financial statements were approved and authorised for issue by the board of directors on 22 September 2017 and were signed on its behalf by:



PM O'Sullivan
Director

The notes on pages 10 to 22 form part of these financial statements.

Statement of Changes in Equity
at 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 28 June 2015	1,762	108,123	109,885
Changes in equity			
Total Comprehensive income	-	24,458	24,458
Dividends paid			
Balance at 31 December 2015	1,762	132,581	134,343
Changes in equity			
Total comprehensive loss	-	(114,084)	(114,084)
Balance at 31 December 2016	1,762	18,497	20,259

Notes to the financial statements

1 Accounting policies

Rosemont Pharmaceuticals Ltd is a limited liability company incorporated in England. The registered office is Wrafton, Braunton, Devon, EX33 2DL.

The company financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the Companies Act 2006.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given on note 24.

Basis of preparation

The financial statements of Rosemont Pharmaceuticals Ltd were authorised for issue by the Board of Directors on 22 September 2017. The financial statements are prepared in sterling which is the functional currency and rounded to the nearest £'000.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Companies Act 2006:

- the requirement of section 7 Statement of Cash Flows;
- the exemption from disclosing related party transactions with the ultimate parent undertaking or any wholly owned subsidiaries within the group per paragraph 33.1A;
- The exemption from preparing consolidated financial statements in accordance with s400;
- The exemption from requirement of Section 33 Related Party Disclosures paragraph 33.7.

Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimation uncertainty have had the most significant effect on amounts recognised in the financial statements.

Stock provisions are maintained for estimated obsolete or unmarketable inventory based on the difference between the cost of the inventory and its estimated net realisable value. In estimating provisions, management considers factors such as excess or slow-moving stock, product expiration dating, products on quality hold, current and future customer demand and market conditions. Changes in these conditions may result in additional provisions. The carrying amount of stock provisions at 31 December 2016 was £337,780.

Intangible fixed assets

Intangible fixed assets comprise product licences, the costs of which are capitalised and amortised over the year of use of the licence which ranges from 4 to 10 years.

Tangible fixed assets and depreciation

Tangible fixed assets are initially stated at cost.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Building equipment	-	5 – 15 years
Plant and machinery	-	3 – 15 years
Fixtures and fittings	-	2 – 10 years

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of attributable overheads. Provision is made for obsolete or slow moving stock where appropriate.

Deferred income

Income received in advance on contracts is shown as deferred income in creditors on the balance sheet and credited to the statement of comprehensive income over the life of the contracts to match against production.

Leases

Operating leases and the rental charges are taken to the statement of comprehensive income on a straight line basis over the life of the lease.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

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

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration received, excluding discounts and VAT. Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue is reduced for any contractual customer program arrangements and related liabilities are recorded concurrently. Changes in estimates and assumptions related to customer programs may result in additional accruals or allowances.

Shipping and handling costs billed to customers are included in turnover. Conversely, shipping and handling expenses we incur are included in cost of sales.

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting year.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred as such expenditure does not meet the criteria for capitalisation as provided in Section 13 of FRS 102.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less, net of outstanding bank overdrafts.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Interest-bearing loans and borrowing due to group undertakings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the intercompany partner. After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. Interest-bearing loans and borrowing due to group undertakings are repayable on demand and therefore not discounted.

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.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Interest-bearing loans and borrowing due to group undertakings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the intercompany partner. After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. Interest-bearing loans and borrowing due to group undertakings are repayable on demand and therefore not discounted.

Foreign currencies

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are only recognised if approved by the shareholders prior to the year end.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognized as an expense over the vesting year, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting year has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognized over the original vesting year. In addition, an expense is recognized over the remainder of the new vesting year for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognized if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognized in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Notes to the financial statements (continued)

2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's principal activities excluding Value Added Tax and trade discounts.

Turnover is attributable to each of the company's geographical markets as follows:

	Year ended 31 December 2016 £000	18 month period ended 31 December 2015 £000
Geographical analysis of turnover by destination		
United Kingdom	39,776	57,938
Other European countries	2,228	2,451
Rest of world	4,288	3,009
	<u>46,292</u>	<u>63,398</u>

3 Operating profit

	Year ended 31 December 2016 £000	18 month period ended 31 December 2015 £000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration		
Audit	46	72
Non-audit; tax	-	3
Other services	3	1
Inventory recognised as an expense	14,279	19,423
Inventory impairment losses	644	744
Depreciation of owned assets	1,054	1,826
Amortisation of intangible assets	478	263
Rentals under operating leases – plant & machinery	417	528
Rentals under operating leases – other	440	613
Research and development expenditure	488	3,657
Profit/(loss) on disposal of fixed intangible assets	(506)	-
Profit/(loss) on disposal of fixed tangible assets	-	12
Foreign exchange losses	10	39
	<u></u>	<u></u>

Notes to the financial statements *(continued)*

4 Staff numbers and costs

The average number of individuals for which the company bears an economic burden during the year was as follows:-

	Number of employees	
	Year ended	18 month period
	31 December	ended
	2016	31 December
		2015
Production	106	95
Sales and distribution	52	54
Research and development	25	23
Administration	24	28
	<hr/> 207	<hr/> 200
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of the company, including directors' remuneration, were as follows:

	Year ended	18 month period
	31 December	ended
	2016	31 December
	£000	2015
		£000
Wages and salaries	7,229	10,583
Social security costs	770	1,034
Other pension costs (note 19)	390	618
	<hr/> 8,389	<hr/> 12,235
	<hr/> <hr/>	<hr/> <hr/>

5 Remuneration of directors

The directors of this company have not received any payment from it directly. Fellow group company Wrafton Laboratories Limited has paid the remuneration for the UK directors of the company. The amount apportioned for the UK directors giving service to this company total £293,961 (period ended 31 December 2015: £239,022) of which pension contribution to money purchase scheme was £10,968 (period ended 31 December 2015: £17,329).

6 Other interest receivable and similar income

	Year ended	18 month period
	31 December	ended
	2016	31 December
	£000	2015
		£000
Interest from loans with group companies	1,090	847
Bank interest receivable	8	60
	<hr/> 1,098	<hr/> 907
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

7 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2016 £000	18 month period ended 31 December 2015 £000
<i>Current Tax</i>		
UK corporation tax on (loss)/profit of the year/period	4,697	5,980
Adjustment in respect of previous periods	(121)	(116)
Total current tax charge	<u>4,576</u>	<u>5,864</u>
<i>Deferred tax</i>		
Deferred tax charge/(credit) – current year movement	35	(43)
Tax rate change on deferred tax liability	1	-
Adjustment in respect of prior periods	(42)	30
Movement in deferred tax asset (note 14)	<u>(6)</u>	<u>(13)</u>
Total tax charge	<u>4,570</u>	<u>5,851</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2016 £000	18 month period ended 31 December 2015 £000
(Loss)/profit on ordinary activities before tax	<u>(109,514)</u>	<u>30,309</u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 20% for the 12 months to 31 December 2016 (2015: 20.75% for the 12 months to 27 June and the standard corporate tax rate of 20% for the 6 months to 31 December 2015)	<u>(21,903)</u>	<u>6,198</u>
Effects of:		
Expenses not deductible for tax purposes	90	(18)
R&D tax credit claim	(224)	(213)
Tax rate change on deferred tax liability	1	-
Non deductible impairment in investment (intercompany loans write-off)	26,769	-
Adjustment in respect of previous years	<u>(163)</u>	<u>(116)</u>
Total tax charge	<u>4,570</u>	<u>5,851</u>

Factors that may affect future tax charges

The UK corporation tax rate was reduced from 21% to 20% effective 1 April 2015. During the year reductions in the main corporation tax rates were enacted that will have an effect on future tax charges of the Company.

The main rate reduces from 20% to 19% on 1 April 2017 and to 18% on 1 April 2020. The deferred tax liability is recognised on the statement of financial position at a rate of 18%. However, after the statement of financial position date a reduction amending the main rate of corporation tax to 17% from 1 April 2020 onwards was enacted. The impact of this amendment on the deferred tax liability balance is £1,000.

Notes to the financial statements (continued)

8 Intangible fixed assets

	Product Licences £000
Cost	
At 31 December 2015	5,170
Additions	-
Disposals	(1,593)
At 31 December 2016	3,577
Amortisation	
At 31 December 2015	738
Charge for year	478
At 31 December 2016	1,216
Net book value	
At 31 December 2016	2,361
At 31 December 2015	4,432

9 Tangible fixed assets

	Land and buildings and building equipment £000	Plant and machinery £000	Fixtures and fittings £000	Payments on account and assets in course of construction £000	Total £000
Cost					
At 31 December 2015	4,409	10,299	308	1,581	16,597
Additions	-	-	-	1,381	1,381
Transfers	321	1,448	17	(1,786)	-
Disposals	(18)	(225)	(145)	-	(388)
At 31 December 2016	4,712	11,522	180	1,176	17,590
Depreciation					
At 31 December 2015	3,199	8,862	292	-	12,353
Charge for year	439	601	14	-	1,054
Disposals	(18)	(225)	(145)	-	(388)
At 31 December 2016	3,620	9,238	161	-	13,019
Net book value					
At 31 December 2016	1,092	2,284	19	1,176	4,571
At 31 December 2015	1,210	1,437	16	1,581	4,244

Prior year opening balances have been re-analysed to more appropriate asset categories based on more accurate information available.

Notes to the financial statements *(continued)*

10 Fixed asset investments

Details of the Company's subsidiary undertakings are as follows:

	Registered office address	Principal activity	Class and percentage of shares held
Rosemont Pensions Limited	Wrafton Braunton Devon EX33 2DL	Corporate Trustee Company	Ordinary – 100%

11 Stocks

	31 December 2016 £000	31 December 2015 £000
Raw materials and consumables	1,643	1,671
Work in progress	185	54
Finished goods	2,305	2,289
	<hr/>	<hr/>
	4,133	4,014
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

12 Debtors

	31 December 2016 £000	31 December 2015 £000
Trade debtors	8,190	8,060
Other debtors	125	11
Amounts owed by group undertakings	-	110,493
Prepayments and accrued income	528	624
Deferred tax asset (note 14)	55	49
	<hr/>	<hr/>
	8,898	119,237
	<hr/>	<hr/>

13 Creditors: amounts falling due within one year

	31 December 2016 £000	31 December 2015 £000
Trade creditors	2,446	1,715
Amounts owed to group undertakings	4,713	2,599
Corporation tax creditor	2,403	1,886
Other taxes	1,885	1,435
Social security	-	96
Accruals and deferred income	621	1,678
	<hr/>	<hr/>
	12,068	9,409
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

14 Deferred tax asset

	Deferred taxation £000
Balance at 31 December 2015	49
Deferred tax charge – current year movement	(35)
Tax rate change on deferred tax liability	(1)
Adjustment in respect of prior periods	42
Balance at 31 December 2016	<u>55</u>
Accelerated capital allowances	44
Other short term differences	11
Deferred tax asset at 31 December 2016	<u>55</u>

15 Called up share capital

	31 December 2016 £000	31 December 2015 £000
<i>Allotted, called up and fully paid</i>		
2016: 7,049,600 (2015: 7,049,600) ordinary shares of 25p each	<u>1,762</u>	<u>1,762</u>

16 Commitments

- i) There were no capital commitments at the end of the current year (2015: £Nil).
- ii) Future minimum lease rentals under non-cancellable operating leases are as follows:

	Land and buildings		Other operating leases	
	31 December 2016 £000	31 December 2015 £000	31 December 2016 £000	31 December 2015 £000
Within one year	421	424	486	352
In the second to fifth year inclusive	1,336	1,509	199	353
In more than five years	743	990	-	-
	<u>2,500</u>	<u>2,923</u>	<u>685</u>	<u>705</u>

Notes to the financial statements (continued)

17 Financial Instruments

	31 December 2016 £000	31 December 2015 £000
<i>Financial assets measured at amortised cost</i>		
Trade debtors	8,190	8,060
Amounts owed by group undertakings	-	110,493
<i>Financial liabilities measured at amortised cost</i>		
Amounts owed to group undertakings	(4,713)	(2,599)
Trade creditors	(2,446)	(1,715)

18 Guarantees

There is a group unlimited multilateral banking agreement in place between Wrafton Laboratories Limited, Perrigo Pharma Limited, Galpharm International Limited, Perrigo UK Acquisition Limited and the Rosemont Group of companies.

A cash pooling facility exists between companies within Perrigo UK Acquisition Limited group with a net overdraft facility of £5,000,000 (2015: £100). There was no net overdraft position between those companies as at 31 December 2016 (2015: £Nil).

19 Pension scheme

The company operates a defined contribution pension scheme. The total pension cost charge for the year represents contributions payable by the company to the funds and amounted to £390,262 (period ended 31 December 2015: £617,778).

At the balance sheet date there were outstanding contributions of £65,918 (2015: £67,960) included within other creditors.

20 Related Party Transactions

The company has taken advantage of the exemption conferred by FRS 102, paragraph 33.1A not to disclose transactions with wholly owned members of the group headed by the Perrigo Company Plc (Ireland) on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

There are no other related party transactions.

21 Share-Based Compensation Plans

All share-based compensation for employees and directors is granted under the 2008 to 2016 Long-Term Incentive Plan of Perrigo Company, other than certain grants pursuant to employment agreements. The plan has been approved by Perrigo Company's shareholders and provides for the granting of awards to its employees and directors of shares of common stock. The awards that are granted under this program primarily include non-qualified share options, incentive share options, restricted shares and restricted share units.

Awards granted under the plan vest and may be exercised and/or sold from one to ten years after the date of grant based on a vesting schedule.

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the period 31 December 2016 and 31 December 2015 were:

Notes to the financial statements (continued)

21 Share-Based Compensation Plans (continued)

	31 December 2016	31 December 2015
Dividend Yield	0.4%	0.3%
Volatility, as a per cent	27.5%	27.0%
Risk-free interest rate	1.3%	1.7%
Expected life of options	3	3

Volatility used in the valuation model was based on historical volatility. The risk-free interest rate was based on the yield of U.S. government securities with a maturity date that coincides with the expected term of the option. The expected life in years after vest date was estimated based on past exercise behaviour of employees.

The number and weighted average exercise prices (WAEP) of, and movements in, share options during the year were:

	2015/16 No	2015/16 WEAP	2014/15 No	2014/15 WAEP
Outstanding as at 31 December 2015	246	US\$ 147.75	-	-
Granted during the year	816	US\$ 129.23	246	US\$ 147.75
Exercised during the year	-	-	-	-
Outstanding as at 31 December 2016	1,062	US\$ 133.52	246	US\$ 147.75
Exercisable as at 31 December 2016	354	US\$ 133.52	82	US\$ 147.75

Restricted shares outstanding

	Number of Restricted Shares	Weighted Average Fair Value at Grant Date
Restricted Shares at 31 December 2015	714	US\$164.55
Granted	892	-
Transferred Out	(128)	-
Restricted Shares at 31 December 2016	1,478	US\$ 136.69

The expense recognised for equity settled share-based payments in respect of employee services received during the 12 month year to 31 December 2016 was £80,423 (period ended 31 December 2015: £66,762).

During the year, the cost incurred by the company for options exercised totalled £Nil.

Notes to the financial statements *(continued)*

22 Exceptional expenses

During the year the company incurred exceptional expenses totalling £133,846 (period ended 31 December 2015: £0) in relation to the forgiveness of loans granted to Rosemont Group Limited and Rosemont Holdings Limited, in anticipation of their liquidation in year 2017.

23 Ultimate parent company

The immediate parent company at 31 December 2016 was Acacia Biopharma Limited, which is a company incorporated and registered in England (Company registration No. 04523667). Copies of the financial statements of Acacia Biopharma Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate parent company at 31 December 2016 was Perrigo Company Plc, a company incorporated and registered in Ireland.

The smallest and the largest group in which the financial statements are consolidated is Perrigo Company Plc.

Copies of the Perrigo Company Plc financial statements may be obtained from Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland.

24 Transition to FRS 102

Rosemont Pharmaceuticals Ltd prepared its first financial statements that comply with FRS 102 for the year ended 31 December 2016. The date of transition to FRS 102 is 1 July 2014.

The company has assessed its current accounting policies and the transition to FRS 102 has resulted in no changes to accounting policy compared to those applied previously and therefore no material changes to previously reported figures.