NEXTPHARMA UK TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

Registered Number 10823869
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NEXTPHARMA UK TOPCO LIMITED

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

The Directors present the strategic report for the period ended 31 December 2017.

NextPharma UK TopCo Limited was incorporated on 16 June 2017 under the previous name Apollo UK TopCo Limited (name changed 13 October 2017) to acquire the NextPharma group of companies from its previous majority shareholder (a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.). Ownership of the NextPharma group of companies changed on 31 August 2017, with NextPharma UK TopCo Limited becoming the controlling company of the group and the highest company in the group to prepare consolidated financial statements. The majority shareholder of NextPharma UK TopCo Limited is a private equity investment fund advised CapVest Partners LLP (CapVest Fund III).

Whilst the reporting period for NextPharma UK TopCo Limited is the seven month period from incorporation to 31 December 2017, the trading operations are in respect of the four month period from the date of change of ownership of the NextPharma group of companies to 31 December 2017. Some of the change of ownership transaction costs were incurred before change of ownership occurred on 31 August 2017.

Strategy

NextPharma UK TopCo Limited ("the Company") and its subsidiary companies ("NextPharma" or "the Group") provide Contract Manufacturing Services ("CMS"), Product Development Services ("PDS"), Clinical Trials Services ("CTS") and Healthcare Logistics Services ("HLS") to the global biotechnology and pharmaceutical industries. NextPharma is focused on centres of excellence across its existing operating platform of manufacturing sites in Germany and France and is focused on its core specialities of conventional product development and manufacture in a range of dosage forms in Europe, selling into key global pharmaceutical markets (including the US). NextPharma continues to generate a strong pipeline of projects from new customers and from the development of strategic partnerships with key existing customers. The business operates from cost competitive manufacturing units which generate manufacturing revenues from speciality capabilities and in-house product developments for its customers.

Review of business

Revenues in the four months since gaining control of the NextPharma group of companies on 31 August 2017 were €56.6m and the operating loss in the same period was €5.1m. The operating loss was adversely impacted by exceptional costs of €9.6m. Note 7 on page 35 provides details of the exceptional costs. Operating profit excluding exceptional items was €4.5m. The net assets at 31 December 2017 were €13.8m.

Key performance indicators

Revenue from recurring business is a key performance indicator and has been noted in the Review of business, above. Recurring earnings before interest, tax, depreciation and amortisation (EBITDA), being operating profit excluding depreciation, amortisation, exceptional items and related party fees in the four months to 31 December 2017 was €7.3m.

Key performance indicators (continued)

For the period to 31 December	**2017** **€m**
Operating loss	**(5.1)**
Add back:	
Depreciation of tangible assets	**1.9**
Depreciation of intangible assets	**0.6**
EBITDA including exceptional items and related party fees	**(2.6)**
Exclude:	
Exceptional administrative expenses	**9.6**
Related party fees	**0.3**
Recurring EBITDA	7.3

The outlook for 2018 continues to demonstrate growth in NextPharma's core operations with the development of sales pipelines and savings generated from continuous improvement initiatives.

Future developments

Future growth of NextPharma's business is based upon:

- Growth from new customers, in addition to growth from new and existing products with existing customers, focusing upon key strategic customers with long-term supply agreements;
- Growth in PDS and CTS revenues;
- Cost control through group-wide continuous improvement initiatives and site-specific lean and procurement projects; and
- During 2017 and 2018, NextPharma has been and will be implementing a group-wide "serialisation" investment project to ensure that relevant packaging lines are compliant with new industry-wide regulations aimed at combatting the manufacture and sale of counterfeit pharmaceutical products, requiring the implementation of "track and trace" systems.

In the first quarter of 2018, revenues for NextPharma were 6.9% higher than the equivalent period in 2017.

Principal risks and uncertainties

Major pharmaceutical companies are dealing with a number of issues which include sales threatened by patent expiry, decreases in in-house R&D productivity, and the increasing use of generics, which have resulted in these companies taking cost cutting measures and restructuring operations. The economic pressures that these companies are facing may result in mergers between them and consequential insourcing of production, which NextPharma considers to be a principal risk to its business. This structural change, however, also provides opportunities for NextPharma to expand if suitable sites become available to acquire as a result of merger activity.

NextPharma's actual results, performance prospects and opportunities can also be impacted by a number of other risks and uncertainties which include: regulatory approval and market demand for customer products; the availability of specific active pharmaceutical ingredients (APIs) and other materials; regulatory matters, including compliance with pharmaceutical regulations; environmental health and safety risks; the ability to identify and secure new contracts; and competition.

Risk and performance management

NextPharma has developed a system of monitoring the risks identified above and the performance of its operating sites through formal weekly and monthly reporting of financial and operational results and monthly reporting of Key Performance Indicators (including revenue and EBITDA). Regular Business Review Meetings are held, allowing local management to present and discuss financial, commercial and operating results and issues with Executive management. These meetings are supplemented by weekly calls to review sales activity, production and forecast revenues and EBITDA. Monthly Board meetings are held between NextPharma Executive management and shareholder representatives to review performance and strategy.

On behalf of the Board.

P.A.W. Burema
Director
NextPharma UK TopCo Limited
Registered Number 10823869
26 June 2018

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

The Directors present the annual report and the audited consolidated financial statements of the Group and Company for the period ended 31 December 2017.

Results and dividend

NextPharma's loss for the period to 31 December 2017 was €5.7m. There were no dividends declared during the period and there are no dividends proposed at the period end.

Going concern

The consolidated financial statements are prepared on a going concern basis. At 31 December 2017 NextPharma had net current assets of €18.1m and total net assets of €13.8m. The Directors have considered the future funding and liquidity position of the Group and the Company, and forecast cash flows and cash positions in respect of bank facilities dated 23 June 2017. The Group is required to meet specific bank covenants concerning the ratio of consolidated total senior net debt to EBITDA. Covenants are tested quarterly with effect from 30 September 2018 with reference to management information and in future years will also be tested annually as at 31 December with reference to the audited financial statements. Management has prepared forecasts and budgets for a sufficient period into the future in order to assess the compliance with such bank covenants and these have not highlighted any breaches.

Therefore, it is considered appropriate to prepare the financial statements on a going concern basis.

Events after the reporting period

There have been no events after the reporting period that require adjustment or disclosure in the financial statements.

Future developments

Future developments are considered in the Strategic report on page 4.

Directors

The Directors who held office during the period and up to the date of signing these financial statements are given below:

P.A.W. Burema	(appointed 2 October 2017)
C.J. Campbell	(appointed 19 June 2017)
O. Khelladi	(appointed 16 June 2017)
J. Rodrigues	(appointed 19 June 2017)

Statement of Directors' responsibilities

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 period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company 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 Group and Company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Directors' and officers' insurance

NextPharma maintains liability insurance for its Directors and officers, which qualifies as a third party indemnity provision for the purposes of the Companies Act 2006. This insurance was in force during the period to 31 December 2017 and at the date of approval of the consolidated financial statements.

Independent auditors

The auditors, PricewaterhouseCoopers LLP were appointed during the period and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Employee involvement

It is NextPharma's policy to treat its employees without discrimination and to operate equal opportunities and employment practices to achieve this end.

Furthermore, it is NextPharma's policy to give full and fair consideration to applications for employment made by disabled persons, to continue, wherever possible, the employment of staff who become disabled and to provide opportunities for the training and career development of disabled employees.

NextPharma seeks to achieve a common awareness among staff of corporate objectives and performance, financial and economic factors affecting the business and other matters of concern to them as employees. During the year, staff were provided with information concerning matters such as NextPharma's strategic aims and progress towards site objectives through briefings by managers, training courses and circulars. The Group operates an annual bonus arrangement for staff, linked to the financial performance of the Group against annual targets.

On behalf of the Board.

P.A.W. Burema
Director
NextPharma UK TopCo Limited
Registered Number 10823869
26 June 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXTPHARMA UK TOPCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- NextPharma UK TopCo Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's loss and cash flows for the 7 month period (the "period") then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2017; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, and the consolidated statement of cashflows for the 7 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which include the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXTPHARMA UK TOPCO LIMITED

Responsibilities for the financial statements and the audit (continued)

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
28 June 2018

NEXTPHARMA UK TOPCO LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	2017 €m
Revenue	5	**56.6**
Cost of sales		(45.8)
Gross profit		**10.8**
Distribution costs		**(1.2)**
Exceptional administrative expenses	7	**(9.6)**
Other administrative expenses		**(5.1)**
Administrative expenses		(14.7)
Operating loss		**(5.1)**
Finance income	9	-
Finance costs	9	(3.1)
Loss before income tax		**(8.2)**
Taxation	10	2.5
Loss for the period		(5.7)

All amounts relate to continuing operations.

The loss for the period is wholly attributable to the owners of the parent.

The notes on pages 19 to 59 are an integral part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act from presenting its own income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017

For the period ended 31 December	Note	2017 €m
Loss for the period		**(5.7)**
Other comprehensive income / (expense):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	19	0.4
Deferred tax effect	18	(0.1)
Total comprehensive loss for the period		**(5.4)**

The total comprehensive loss for the period is wholly attributable to the owners of the parent.

The notes on pages 19 to 59 are an integral part of these financial statements.

NEXTPHARMA UK TOPCO LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 €m
Assets		
Non-current assets		
Intangible assets	11	**97.2**
Property, plant and equipment	12	**50.7**
Deferred tax assets	18	**3.5**
Trade and other receivables	14	**4.7**
		156.1
Current assets		
Inventories	13	**15.7**
Trade and other receivables	14	**32.5**
Cash and cash equivalents	15	**15.6**
		63.8
Total assets		**219.9**
Liabilities		
Non-current liabilities		
Borrowings	17	**(130.1)**
Deferred tax liabilities	18	**(10.6)**
Post-employment benefits	19	**(17.3)**
Trade and other payables	16	**(2.4)**
		(160.4)
Current liabilities		
Trade and other payables	16	**(38.9)**
Current tax liabilities		**(0.5)**
Borrowings	17	**(6.3)**
		(45.7)
Total liabilities		**(206.1)**
Total net assets		**13.8**
Equity		
Share capital	21	**19.2**
Accumulated losses		**(5.4)**
Total equity		**13.8**

The notes on pages 19 to 59 are an integral part of these financial statements.

The financial statements on pages 12 to 59 were approved by the Board on 26 June 2018 and were signed on its behalf by:

Director

NextPharma UK TopCo Limited
Registered Number 10823869

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 €m
Fixed assets		
Investments	28	19.2
		19.2
Total assets		19.2
Equity		
Share capital	21	19.2
Total equity		19.2

The Company's result for the period was €nil.

The notes on pages 19 to 59 are an integral part of these financial statements.

The financial statements on pages 12 to 59 were approved by the Board on 26 June 2018 and were signed on its behalf by:

P.A.W. Burema
Director

NextPharma UK TopCo Limited
Registered Number 10823869

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	Share capital €m	Accumulated losses €m	Total equity €m
Balance as at 16 June 2017		-	-	-
Loss for the period		-	(5.7)	(5.7)
Other comprehensive income for the period		-	0.3	0.3
Total comprehensive loss for the period		-	(5.4)	(5.4)
Proceeds from shares issued	21	19.2	-	19.2
Total transactions with owners, recognised directly in equity		19.2	-	-
Balance as at 31 December 2017		**19.2**	**(5.4)**	**13.8**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	Share capital €m	Retained earnings €m	Total equity €m
Balance as at 16 June 2017		-	-	-
Proceeds from shares issued	21	19.2	-	19.2
Total transactions with owners, recognised directly in equity		19.2	-	19.2
Balance as at 31 December 2017		**19.2**	-	**19.2**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	2017 €m
Cash flows from operating activities		
Cash generated from operations	22	7.7
Interest paid		(1.5)
Income tax paid		(2.3)
Net cash generated from operating activities		**3.9**
Cash flows from investing activities		
Purchase of subsidiary		(68.5)
Cash acquired with subsidiary		7.0
Purchase of property, plant and equipment		(1.2)
Acquisition of intangible assets		(0.3)
Net cash used in investing activities		**(63.0)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	21	17.7
Proceeds from bank borrowings, net of issue costs		91.6
Proceeds from shareholder loan borrowings		35.0
Repayments of borrowings on acquisition of subsidiary		(68.0)
Repayments of borrowings		(1.9)
Net cash generated from financing activities		**74.4**
Net increase in cash and cash equivalents		**15.3**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	15	**15.3**

The notes on pages 19 to 59 are an integral part of these financial statements.

1. General information

NextPharma UK TopCo Limited ("the Company") and its subsidiaries (together "the Group") provide Contract Manufacturing Services ("CMS"), Product Development Services ("PDS"), Clinical Trials Services ("CTS") and Healthcare Logistics Services ("HLS") to the global biotechnology and pharmaceutical industries. The Company was incorporated on 16 June 2017 under the previous name Apollo UK TopCo Limited (name changed 13 October 2017) to acquire the NextPharma group of companies from its previous majority shareholder (a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.). Ownership of the NextPharma group of companies changed on 31 August 2017, with NextPharma UK TopCo Limited becoming the controlling company of the group and the highest company in the group to prepare consolidated financial statements. The majority shareholder of NextPharma UK TopCo Limited is a private equity investment fund advised by CapVest Partners LLP (CapVest Fund III).

In future years the accounting period will align with the Company's fiscal period which is from 1 January to 31 December.

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 1 Tannery House, Tannery Lane, Send, Woking, Surrey GU23 7EF.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

Basis of preparation

The Group consolidated financial statements of NextPharma UK TopCo Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies using FRS 101. The individual Company financial statements of NextPharma UK TopCo Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS and FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

This is the first set of consolidated financial statements prepared for NextPharma UK TopCo Limited.

The Company has elected to take the exemption under section 408 of the Companies Act from presenting the parent company income statement.

2. Significant accounting policies (continued)

Going concern

The consolidated financial statements are prepared on a going concern basis. At 31 December 2017 NextPharma had net current assets of €18.1m and total net assets of €13.8m. The Directors have considered the future funding and liquidity position of the Group and the Company, and forecast cash flows and cash positions in respect of bank facilities dated 23 June 2017. The Group is required to meet specific bank covenants concerning the ratio of consolidated total senior net debt to EBITDA. Covenants are tested quarterly with effect from 30 September 2018 with reference to management information and in future years will also be tested annually as at 31 December with reference to the audited financial statements. Management has prepared forecasts and budgets for a sufficient period into the future in order to assess the compliance with such bank covenants and these have not highlighted any breaches.

Therefore, it is considered appropriate to prepare the financial statements on a going concern basis.

Changes in accounting policy and disclosures

IFRS 15 'Revenue from contracts with customers' and IFRS 16, 'Leases', are the only accounting standards which have been endorsed by the EU that have a future implementation date that will have a material impact on the Group. The Group has commenced but not finished its impact assessments in these areas and a summary of expected effects that have been assessed to date is given in the paragraphs below

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations and will be applicable to the Group for the next accounting period commencing on 1 January 2018. Implementation of IFRS 15 requires a review of existing contractual arrangements and how these impact on the timing and amount of revenue. At present, the directors anticipate there may be some changes in the recognition of some contract manufacturing revenue leading to earlier recognition of some income and reclassification of work in progress and finished goods inventory to accrued income and the recognition of an appropriate amount of revenue and a related cost of sale in the income statement. The magnitude of such changes in future years compared to the current revenue recognition policy adopted by the Group could be material and is dependent upon the contractual arrangements with each customer, the stage of completion of any uncompleted and completed inventory and the mix of product at the start and end of each accounting period. Management's assessment is that the adoption of IFRS 15 would not have a material impact on the income statement for the period ended 31 December 2017.

2. Significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

IFRS 16 addresses the definition of a lease, and the recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases for lessees will be accounted for on the balance sheet as finance leases. The standard replaces IAS 17, 'Leases', and related interpretations and will be applicable to the group for the first time for the accounting period commencing on 1 January 2019. Upon implementation of IFRS 16, it is expected that there will be a material impact to property, plant and equipment, borrowings (finance lease creditors), interest expense and depreciation expense, all of which will increase, and a reduction to operating lease charges included within administrative expenses in the income statement.

IFRS 9, 'Financial instruments', which is effective for accounting periods beginning on or after 1 January 2018, 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The new standard incorporates an expected credit losses model that replaces the incurred loss impairment model used in IAS 39, and whilst this would change the Group's impairment calculation of overdue receivables, it is not expected to materially affect the figures reporting in the income statement or balance sheet.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition costs are expensed as incurred.

At 31 December 2017, the Company held all the shares of NextPharma UK MidCo Limited.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

2. Significant accounting policies (continued)

Foreign currency

The Group financial statements are presented in euros and rounded to one decimal place, using millions of euros.

The Company's functional and presentation currency is the euro.

For subsidiaries whose functional currency is not the euro monetary assets and liabilities are translated at year-end rates of exchange and revenues and expenses at the average of monthly rates. £0.8861:€1 and $1.2005:€1 have been used to translate assets and liabilities; £0.8764:€1 and $1.1298:€1 have been used to translate revenues and expenses. Resulting translation adjustments are accumulated in shareholders' deficit as part of retained earnings. Currency transaction gains and losses are recognised in income or expenses as incurred.

Revenue recognition

Revenue is recognised in the profit and loss account when goods or services are supplied or made available to external customers against orders received, with title and risk of loss passing to the customer. Certain contracts for development work allow for billings in advance of shipment. These billings are included in deferred income until the criteria noted above have been met. For licensing activity, billings are included in deferred income until any contingent milestones agreed in individual contracts have been met. Value added tax and other sales taxes are excluded from revenue.

Payment from customers is generally received within the credit terms set by NextPharma, (see note 3).

Interest income

Interest income is recognised using the effective interest method.

Exceptional items

The Group classifies certain non-recurring charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These items are material either because of their size or their nature. The items are presented within the line items to which they best relate, but are disclosed separately to provide further understanding of the financial performance of the Group.

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Residual values are assessed and updated annually.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	25-40 years
Plant, machinery and leasehold improvements	12-15 years
Office and other equipment	5-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

At inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Assets acquired under finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the useful life of the asset. Assets are assessed for impairment at each reporting date.

2. Significant accounting policies (continued)

Leased assets (continued)

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Goodwill

Goodwill that arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of consideration transferred measured at fair value is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill arising from business combinations is allocated to relevant cash generating units (CGUs), or groups of CGUs. Each CGU, or group of CGUs, to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored by management.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets other than goodwill

Intangible assets are recognised at acquisition cost, less accumulated amortisation, and less any impairment losses. Straight-line amortisation applies to all intangible assets from the time the asset is put into service as follows:

Customer relationships	20 years
Acquired computer software	5 years

At the time of the change in ownership of the NextPharma group an assessment was performed of anticipated revenues from existing customers, based on historical revenues and adjusted for assumed losses. The output from this assessment has been recognised as an intangible asset in respect of customer relationships. The asset is amortised on a straight-line basis over a period of 20 years. An impairment assessment for intangible assets subject to amortisation is undertaken if there is an impairment indicator.

Acquired computer software, where the software is acquired separately from any hardware, is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

2. Significant accounting policies (continued)

Borrowing costs

Arrangement fees associated with the external borrowings implemented in August 2017 have been netted against the borrowings and are being amortised over the period of the senior facilities. All other borrowing costs are recognised in profit or loss of the period in which they are incurred.

Investments - Company

Investment in subsidiary companies is held at cost less accumulated impairment losses.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows from cash generating units (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired and is determined by management at the initial recognition of the assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Trade receivables are amounts due from customers for merchandise 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

Financial assets are derecognised when the right to receive cash flows from the assets has expired or been transferred and the Group has transferred substantially all risks and rewards of ownership.

2. Significant accounting policies (continued)

Financial assets (continued)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Impairment of financial assets

For assets carried at amortised cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required the impairment charge is reversed, up to the impairment loss, and is recognised as a credit in the consolidated income statement.

2. Significant accounting policies (continued)

Financial liabilities

Financial liabilities are recognised initially at fair value and are subsequently valued at amortised cost. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Group uses derivative financial instruments such interest caps to hedge its risks associated with interest rate fluctuations. Derivative financial instruments are recognised initially and subsequently at fair value. The gains or losses on remeasurement are taken to the consolidated income statement. Derivative financial instruments are classified as assets where their fair value is positive, or as liabilities where their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity.

The current tax charge is calculated on the basis of the tax relevant to the financial period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; and deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income and are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

2. Significant accounting policies (continued)

Current and deferred tax (continued)

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and post-employment pension schemes.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Group operates an annual bonus plan for employees. An expense is recognised in the income statement when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

A defined contribution post-employment pension scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions beyond the fixed amounts. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually depending on one or more factors such as age, years of service and compensation.

The Group maintains defined benefit pension plans for some of its German employees. Three schemes exist providing retirement benefits to eligible employees. One plan dated 1986 allowed participants to accumulate benefits until 1994. Since that date the pension plan has been closed and pension benefits accumulating until that date have been frozen. There were no contributions to this plan in the period ended 31 December 2017. Further plans for (i) employees of the Waltrop site and HLS Werne ("Waltrop") and (ii) HLS Garching ("HLS") are closed to new employees and are funded by the relevant subsidiary.

The actuarial data for the German schemes is provided annually by IVB and Mercer Human Resources Consulting, and where applicable has assumptions assessed by a qualified actuary.

In France, an actuarial valuation is required of any liabilities arising in respect of retirement indemnities ("IFC") due on the retirement of the French employees of NextPharma S.A.S. ("Limay"). The scheme's benefit consists of a lump sum payable on retirement and is in relation to the collective bargaining agreements applicable to French companies. The above liability is offset by a segregated insurance contract underwritten with "Cardif Assurance Vie".

2. Significant accounting policies (continued)

Employee benefits (continued)

The actuarial data for the French schemes was provided by Ernst & Young Actuaires-Conseils in respect of the period ended 31 December 2017.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from service in the current period, benefit changes, curtailments and settlements. Past-service costs are recognised immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charge or credited to other comprehensive income in the period in which they arise.

In respect of the defined benefit pension scheme for employees of the Waltrop plan, the Group contributes towards a reinsurance arrangement that provides cover for meeting any liabilities that are required to be paid out to scheme members that are in excess of the scheme assets. The expense of contributions to the reinsurance asset is recorded in the consolidated income statement account as administrative expenses.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Significant accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

3. Financial risk management

Financial risk factors

NextPharma is exposed to credit risk (the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligations), liquidity risk (the risk that an entity will have difficulty in paying its financial liabilities) and interest rate risk (the risk that an increase in interest rates will lead to higher interest payments on borrowings). NextPharma has no significant exposure to foreign exchange risk as there are limited transactions undertaken in anything other than the functional currency of the main trading entities, the euro.

3. Financial risk management (continued)

Risk management

NextPharma implements appropriate procedures to manage financial risk exposure.

Credit risk: Customers are subject to credit rating analyses and appropriate credit limits and payment terms (typically in the range 14 – 60 days) are implemented to manage the Group's credit risk. Customers' adherence to the credit terms applied by the Group is regularly assessed by management via review of the value and age of trade receivables due from customers. The Group's short-term bank deposits are held with an institution rated A3 by Moody's Investors Services. Management does not expect any financial losses arising from non-performance by counterparties.

Liquidity risk: Cash flow forecasting is performed in the operating entities of the Group and aggregated by the central finance function. Management regularly review rolling forecasts of the Group's liquidity position to ensure there is sufficient cash to meet operational needs and comply with borrowing cost payment requirements. To mitigate liquidity risk arising from manufacturing operations, contracts with appropriate clauses for price movements are in place with customers to help manage raw material pricing risk. Rolling forecasts of the Group's performance in respect of covenants associated with borrowings are also monitored to ensure covenant compliance.

Interest rate risk: The Group's interest expense arising from borrowings is charged with reference to the EURIBOR 3 month interest rate. An interest rate cap of 1% is in place for borrowings of €95m.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Due within 1 year €m	Due later than 1 year and no later than 5 years €m	Due in more than 5 years €m
At 31 December 2017			
Borrowings (excluding finance lease liabilities)	3.6	-	95.0
Finance lease liabilities	2.7	2.4	0.1
Shareholder loans	-	-	35.9
Trade and other payables	38.9	2.4	-
	45.2	**4.8**	**131.0**

The Group does not invest in financial instruments and has no significant interest-bearing assets. No financial assets or financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

Derivatives, such as interest rate caps, are used only for economic hedging purposes and not as speculative investments.

3. Financial risk management (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital comprises share capital and long term debt. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or raise new debt.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been outlined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and liabilities that are measured at 31 December 2017. The level 2 valuation has been provided by the bank that issued the financial instrument.

Group	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	**Total €m**
Assets				
Interest rate cap	-	0.1	-	0.1
At 31 December 2017	**-**	**0.1**	**-**	**0.1**

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The value of the customer relationships intangible asset is derived from Group's estimates of the future income to be earned from contracts in place at the date of change in ownership of the NextPharma group of companies. Estimates were made for forecast future revenues from existing customers and a rate of customer loss was assumed. These estimates and assumptions were based on historical data, available customer forecasts and the Group's budget for the period 2018 – 2020.

4. Critical accounting judgements and estimation uncertainty (continued)

A valuation of freehold land and buildings in France was commissioned from third party valuers who used an investment method of valuation with reference to comparable evidence and current investment market sentiment to arrive at a fair value. Management derived valuations for freehold land and buildings in Germany from values calculated by professional advisors in respect of Real Estate Transfer Tax (RETT). The fair value of plant and machinery in both France and Germany was calculated by management using an amortised replacement cost methodology.

The annual depreciation charge for tangible assets is sensitive to changes in the useful economic lives and residual value of assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible assets and note 2 for the useful economic lives for each class of assets.

The Group has obligations to pay pension benefits to certain employees under defined benefit pension schemes (note 19). The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

5. Revenue

	2017 €m
A. Analysis of revenue by geography:	
Europe – EU	56.6
	56.6
B. Analysis of revenue by activity:	
Contract manufacture of pharmaceuticals	45.6
Product development and laboratory services	2.6
Clinical trials services	1.7
Logistics services	6.7
	56.6

6. Expenses

	2017
Expenses by nature:	€m
Wages and salaries	14.1
Social security costs	3.4
Other pension costs	0.3
Employee benefit expense	17.8
Changes in inventories of finished goods and work in progress	2.5
Raw materials and consumables used	20.5
Depreciation of intangible assets (note 11)	0.6
Depreciation of tangible assets (note 12)	1.9
Costs related to change of ownership (operating exceptional item) (note7)	8.4
Restructuring and redundancy (operating exceptional item) (note 7)	0.8
Other operating exceptional items (note 7)	0.2
Loss on sale of property, plant and equipment	0.1
Operating lease charges	1.3

During the period the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

Fees payable to the Company's auditors and their associates for the audit of the parent Company and the Group's consolidated financial services	0.1
Fees payable to the Company's auditors and their associates for other services:	
- The audit of the Company's subsidiaries	0.4
- Tax compliance services	0.2
- Other non-Audit services	0.7
Total amount payable to the Company's auditors and their associates	1.4

7. Exceptional administrative expenses

	2017 €m
Change of ownership	8.6
Restructuring and redundancy	0.8
Serialisation project management	0.1
Aborted costs of potential acquisition	0.1
Total exceptional items	**9.6**

During the period the following exceptional costs were incurred: (i) €8.6m in respect of the change of ownership of the NextPharma group that occurred on 31 August 2017 (legal, professional and advisory fees); (ii) €0.8m for restructuring and redundancy; (iii) €0.1m in respect of project management for the group-wide "serialisation" investment project to ensure that relevant packaging lines are compliant with new industry-wide regulations aimed at combatting the manufacture and sale of counterfeit pharmaceutical products, requiring the implementation of "track and trace" systems; and (iv) €0.1m in respect of potential acquisitions initiated by the new shareholder following change of ownership.

8. Employees and directors

Employees

Prior to the acquisition of the NextPharma group of companies, other than the directors, there were no employees in the Group. Since the acquisition of the NextPharma group of companies on 31 August 2017 the average monthly number of persons employed by the Group was:

	2017 Number
Manufacturing	691
Sales and customer service	26
Quality assurance	59
Quality control	155
Administrative	100
Total	1,031

The Company employs no staff.

Directors and highest paid director

The directors' emoluments were as follows:

	2017 €m
Aggregate emoluments	0.3
Post-employment benefits *	-
Total	0.3

* represents cash payments to directors in lieu of contributions to pension schemes: €21k.

The above relate to one director. Three directors during the period received no emoluments from the Group or Company.

No post-employment benefits are accruing to directors.

8. Employees and directors (continued)

Key management compensation

Key management comprises 5 employees being one director and other members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017
	€m
Salaries and other short-term benefits	**0.6**
Post-employment benefits *	**-**
Total	**0.6**

* post-employment benefit cost €39k, includes €21k cash payments in lieu of contributions to pension schemes.

9. Finance income and costs

	2017
	€m
Interest expense on senior bank loans and revolving facility	**1.9**
Finance lease interest	**0.1**
Amortised finance arrangement fees	**0.2**
Interest accreting on shareholder loans	**0.9**
Finance costs	**3.1**

	2017
	€m
Interest income on short term bank deposits	**-**
Finance income	**-**
Net finance costs	**3.1**

10. Taxation

	2017
Tax expense included in profit or loss	**€m**
Current tax:	
- Foreign corporation tax on profits for the period	**(1.1)**
Total current tax	**(1.1)**
Deferred tax:	
- Origination and reversal of timing differences	**3.6**
Total deferred tax	**3.6**
Tax on loss	**2.5**

Tax expense included in other comprehensive income	**2017**
	€m
Deferred tax	
- Origination and reversal of timing differences	**(0.1)**
Total deferred tax	**(0.1)**
Total tax expense included in other comprehensive income	**(0.1)**

Reconciliation of tax charge

The tax on the Group's profit before tax is higher than the standard rate of corporation tax in the United Kingdom for the period ended 31 December 2017 of 19%. The differences are explained below:

	2017
	€m
Loss before income tax	**(8.2)**
Loss before income tax multiplied by standard rate of corporation tax in the UK of 19%	**1.6**
Effects of:	
- Expenses not deductible for tax	**(0.2)**
- Impact of overseas tax rates	**1.1**
Tax credit for the period	**2.5**

Tax rate changes

For 2017 the tax rate applicable for the UK holding companies was 19%. A change to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 7 September 2016), with a reduction to the main rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

For 2017, the tax rate applicable for NextPharma S.A.S. was 33.3%. The Finance law 2018, voted in December 2017, plans to decrease the income tax rate from 33.3% to 25% applicable as from fiscal year 2022. Deferred tax has been calculated at 25% which is consistent with the timing of the realisation/reversal of the deferred tax balances.

In respect of Germany, the domestic income tax rate used for calculating deferred tax assets and liabilities as at 31 December 2017 was 30%. No changes to German domestic income tax rates had been substantively enacted at the balance sheet date.

11. Intangible assets

Group	Goodwill €m	Customer relationships €m	Acquired computer software €m	Total €m
Cost				
At 16 June 2017	-	-	-	-
Acquisition (note 25)	65.8	30.8	0.9	97.5
Additions	-	-	0.3	0.3
At 31 December 2017	**65.8**	**30.8**	**1.2**	**97.8**
Accumulated amortisation				
At 16 June 2017	-	-	-	-
Charge for the period	-	0.5	0.1	0.6
At 31 December 2017	**-**	**0.5**	**0.1**	**0.6**
Carrying amount at 31 December 2017	**65.8**	**30.3**	**1.1**	**97.2**
Carrying amount at 16 June 2017	-	-	-	-

Customer relationships were assessed at the time of the change in ownership of the NextPharma group of companies, with a value being ascribed to the customer relationships in place at that time. The remaining amortisation period of the customer relationships intangible asset is 19.7 years.

Acquired computer software relates to software acquired separately from any hardware, being the costs incurred to acquire and bring to use the specific software. The remaining amortisation period of the acquired computer software intangible asset is up to 4 years.

Amortisation of €0.6m is included in 'administrative expenses' in the consolidated income statement.

The Company owns no intangible assets.

12. Property, plant and equipment

Group	Freehold land and buildings €m	Plant, machinery & leasehold improvements €m	Office and other equipment €m	Total €m
Cost				
At 16 June 2017	-	-	-	-
Acquisition (note 25)	22.6	19.2	8.6	50.4
Additions	0.1	1.0	1.2	2.3
Disposals	-	(0.1)	-	(0.1)
At 31 December 2017	**22.7**	**20.1**	**9.8**	**52.6**
Accumulated depreciation				
At 16 June 2017	-	-	-	-
Charge for the period	0.3	0.9	0.7	1.9
Disposals	-	-	-	-
At 31 December 2017	**0.3**	**0.9**	**0.7**	**1.9**
Net book amount at 31 December 2017	**22.4**	**19.2**	**9.1**	**50.7**
Net book amount at 16 June 2017	-	-	-	-

The Company owns no tangible assets.

Plant, machinery and leasehold improvements includes the following amounts where the Group is a lessee under a finance lease:

	2017 €m
Cost/fair value of tangible assets acquired under finance lease	**10.4**
Accumulated depreciation	**(0.5)**
Net book amount	**9.9**

The Company uses no assets held under finance leases.

13. Inventories

	2017 €m Group
Raw materials	9.3
Work in progress	2.6
Finished goods	3.8
	15.7

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to €23.0m.

There is no significant difference between the replacement cost of the inventories and their carrying amounts. Inventories are stated after provisions for impairment of €nil.

The Company has no inventories at 31 December 2017.

14. Trade and other receivables

	2017 €m Group
Trade receivables	30.5
Less: provision for impairment of trade receivables	(0.1)
Trade receivables - net	30.4
Other debtors	6.5
Prepayments and accrued income	0.3
	37.2
Less non-current portion: other debtors (see note 19)	(4.7)
Current portion	32.5

The book value of trade and other receivables above equate to their fair values.

No collateral is held for debtors.

The Company has no trade and other receivables.

14. Trade and other receivables (continued)

The non-current portion of other debtors of €4.7m relates to a rights under reinsurance policies associated with future benefits payable under the Waltrop post-employment benefit scheme. The fair value is calculated using actuarial methods based on the guaranteed capital and guaranteed interest rates applicable, with reference to the starting date of individual contracts, and is within level 2 of the valuation hierarchy.

At the end of the reporting period €25.4m trade receivables were fully performing.

At the end of the reporting period €5.0m trade receivables were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing of trade receivables past due but not impaired comprises:

	2017 €m Group
Up to 3 months	5.0
	5.0

At the end of the reporting period €0.1m trade receivables were impaired and a provision of €0.1m has been made against them. The ageing of impaired trade receivables past due comprises:

	2017 €m Group
More than 6 months	0.1
	0.1

Movements on the Group provision for impairment of trade receivables are as follows:

	2017 €m Group
At 16 June 2017	-
Balances acquired with subsidiaries	0.1
At 31 December 2017	0.1

The other classes within trade and other receivables do not contain impaired balances.

The balance of trade receivables is owed to companies within the NextPharma group registered in the following countries:

	2017 €m Group
Germany	25.7
France	4.8
	30.5

15. Cash and cash equivalents

	2017 €m Group
Cash at bank and in hand	15.6
Cash and cash equivalents	**15.6**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2017 €m Group
Cash and cash equivalents	15.6
Revolving credit facility (note 17)	(0.3)
Cash and cash equivalents	**15.3**

The Company had no cash and cash equivalents.

16. Trade and other payables

	2017 €m Group
Trade creditors	25.9
Social security and other taxes	3.1
Other creditors	2.8
Accruals and deferred income	9.5
	41.3
Less non-current portion: accruals and deferred income	(2.4)
Current portion	**38.9**

The Company had no trade and other payables.

17. Borrowings

	2017 €m Group
Non-current	
Term loans	91.7
Finance lease liabilities	2.5
Shareholder loans	35.9
	130.1
Current	
Revolving credit facilities	0.3
Factoring facilities	3.3
Finance lease liabilities	2.7
	6.3
Total borrowings	**136.4**

The Company had no borrowings.

17. Borrowings (continued)

Borrowings excluding finance leases
Under a senior facilities agreement dated 23 June 2017, the Group has a total of €125.0m facilities, comprising €95.0 term loans, €20.0m capital expenditure facility and €10.0m revolving credit facility.

Both the term loans and the capital expenditure facilities mature in 2024 and bear average annual interest of EURIBOR plus a margin of 5.6%. The revolving credit facility matures in 2024 and bears interest at 2.9%.

Borrowings under the senior facilities agreement are secured over the assets of the business.

Finance arrangement fees of €3.5m are being amortised over the term of the bank borrowings. In the period to 31 December 2017 €0.2m finance arrangement fees have been amortised and charged as a finance cost. The remaining balance of unamortised finance arrangement fees, €3.3m, has been netted against the term loans.

The Group is required to meet specific bank covenants including in relation to the ratio of consolidated total senior net debt to EBITDA. Covenants are tested quarterly with effect from 30 September 2018 with reference to management information and in future years will also be tested annually as at 31 December with reference to the audited financial statements.

Factoring facilities
Factoring facilities of up to €5m exist in Germany for the Group's invoices raised in Germany. The factoring facilities accrue interest on a monthly basis at EURIBOR plus 1.15% and fees of 0.14% on annual factored volume. The factoring facilities are secured against the invoices.

Shareholder loans
Apollo CV Jersey TopCo Limited, a company controlled by CapVest Partners LLP, has provided loans to the Group in its capacity as shareholder. Apollo CV Jersey TopCo is not included in the consolidated financial statements of NextPharma. Shareholder loans bear compound interest at 8% and are accretive. Shareholder loans constitute unguaranteed and unsecured obligations of subsidiary companies. Shareholder loans are due to be repaid by 31 August 2027.

The maturity dates of borrowings excluding finance leases at the end of the reporting period are as follows:

	2017 €m Group
Not later than one year	3.6
Over 6 years	127.6
	131.2

17. Borrowings (continued)

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amount 2017 €m Group	Fair value 2017 €m Group
Term loan (excluding unamortised arrangement fee of €3.3m)	95.0	95.0
Shareholder loans	35.9	35.9
	130.9	130.9

The current value of current borrowings equals carrying value, as the impact of discounting is not significant. The fair of the bank borrowings has been provided by the lending bank and is within level 2 of the fair value hierarchy.

The Group's borrowings are wholly denominated in Euros.

The Group has the following undrawn borrowing facilities:

	2017 €m Group
Factoring facilities	1.7
Revolving credit facility	9.7
Capital expenditure facility	20.0
	31.4

The Company had no borrowings.

17. Borrowings (continued)

Finance leases

Finance leases are secured against the assets to which they relate and bear interest within he range of 1.7% - 7.8%.

The future minimum finance lease payments are as follows:	2017 €m Group
Not later than one year	2.8
Later than one year and not later than five years	2.5
Later than five years	0.1
Total gross payments	5.4
Less: finance charges	(0.2)
Carrying amount of liability	5.2

The present value of finance lease liabilities is as follows:	2017 €m Group
Not later than one year	2.7
Later than one year and not later than five years	2.4
Later than five years	0.1
	5.2

18. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Assets €m Group	Liabilities €m Group	Net €m Group
At 16 June 2017	-	-	-
Acquisition (note 25)	0.6	(11.2)	(10.6)
Income statement credit (note 10)	2.9	0.7	3.6
Tax charge relating to components of other comprehensive income (note 10)	-	(0.1)	(0.1)
At 31 December 2017	**3.5**	**(10.6)**	**(7.1)**

Deferred tax liabilities comprise:	Total €m Group
Fair value uplifts of tangible assets	**(4.9)**
Intangible assets	**(9.8)**
Total	**(14.7)**
Set off deferred tax within the same jurisdiction	**4.1**
At 31 December 2017	**(10.6)**

Deferred tax assets comprise:	Total €m Group
Post-employment benefit obligations	**3.6**
Tax value of losses carried forward	**4.0**
Total	**7.6**
Set off deferred tax within the same jurisdiction	**(4.1)**
At 31 December 2017	**3.5**

Net deferred tax	Total €m Group
At 31 December 2017	(7.1)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Company has no recognised or unrecognised tax losses.

Of the deferred tax liabilities at 31 December 2017, €0.6m are anticipated to reverse within 12 months. Of the deferred tax assets at 31 December 2017, €2.0 are anticipated to reverse within 12 months.

19. Post-employment benefits

NextPharma makes payments to staff personal pension plans in accordance with employment contracts in place with employees. These arrangements are reported as defined contribution schemes.

NextPharma maintains defined benefit pension plans for some of its German employees and recognises retirement indemnities ("IFC") due on the retirement of the French employees of NextPharma S.A.S. ("Limay"). These arrangements are reported as defined benefit schemes.

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements:

	2017 €m
Balance sheet obligations for:	
- Defined pension benefits	(17.3)
Liability in the balance sheet	(17.3)
Income statement charge included in operating profit for:	
- Defined pension benefits	(0.3)
Total income statement charge	(0.3)
Remeasurements for:	
- Defined pension benefits	0.4
Total remeasurements in other comprehensive income	0.4

The income statement charge included within operating profit includes current service cost, interest cost, past service cost and gains and losses on settlement and curtailment.

Defined benefit scheme

The Group maintains defined benefit pension plans for some of its German employees. Three schemes exist providing retirement benefits to eligible employees. One plan dated 1986 allowed participants to accumulate benefits until 1994. Since that date the pension plan has been closed and pension benefits accumulating until that date have been frozen. There were no contributions to this plan in the period ended 31 December 2017. Further plans for (i) employees of the Waltrop site and HLS Werne ("Waltrop") and (ii) HLS Garching ("HLS") are closed to new employees and are funded by the relevant subsidiary.

The actuarial data for the German schemes was provided by IVB and Mercer Human Resources Consulting for the period from 31 August 2017 to 31 December 2017.

In France, an actuarial valuation is required of any liabilities arising in respect of retirement indemnities ("IFC") due on the retirement of the French employees of NextPharma S.A.S. ("Limay"). The scheme's benefit consists of a lump sum payable on retirement and is in relation to the collective bargaining agreements applicable to French companies.

The actuarial data for the French schemes was provided by Ernst & Young Actuaires-Conseils for the period from 31 August 2017 to 31 December 2017.

19. Post-employment benefits (continued)

In respect of the Waltrop scheme in Germany, rights exist under reinsurance policies associated with future benefits payable under the plan but these are not classified as plan assets. These policies have a present value of €4.7m. This reinsurance asset is recorded in note 14 as 'Other debtors: non-current portion'. The net deficit in the scheme at the period end (excluding the reinsurance asset) was €11.5m.

The amounts of all defined benefit schemes (excluding the reinsurance asset) recognised in the balance sheet are determined as follows:

	2017
	€m
Present value of funded obligations	**(20.4)**
Fair value of plan assets	**6.7**
Deficit of funded plans	**(13.7)**
Present value of unfunded obligations	**(3.6)**
Total deficit of defined benefit pension plans	**(17.3)**
Liability in the balance sheet	**(17.3)**

The movement in the defined benefit liability of each scheme over the period is as follows:

	Limay			Closed			Waltrop			HLS		
	Assets €m	Liabilities €m	Total €m	Assets €m	Liabilities €m	Total €m	Assets €m	Liabilities €m	Total €m	Assets €m	Liabilities €m	Total €m
At 16 June 2017	-	-	-	-	-	-	-	-	-	-	-	-
Acquired in business combination 1 September 2017	0.2	(2.1)	(1.9)	-	(3.6)	(3.6)	6.3	(18.1)	(11.8)	0.1	(0.3)	(0.2)
Current service cost	-	(0.1)	(0.1)	-	-	-	-	(0.1)	(0.1)	-	-	-
Interest (expense) / income	-	-	-	-	-	-	-	(0.1)	(0.1)	-	-	-
	-	(0.1)	(0.1)	-	-	-	-	(0.2)	(0.2)	-	-	-
Remeasurements:												
- Return on plan assets, excluding amounts included in interest (expense) / income	-	-	-	-	-	-	0.1	0.3	0.4	-	-	-
Gain / (loss) from change in demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
Gain /(loss) from change in financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-
Experience gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-
Change in asset ceiling, excluding amounts included in interest expense	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.1	0.3	0.4	-	-	-
Contributions:	-	-	-	-	-	-	-	-	-	-	-	-
- Employers	-	-	-	-	-	-	-	-	-	-	-	-
- Plan participants	-	-	-	-	-	-	-	-	-	-	-	-
Payments from plans:												
- Benefit payments	-	-	-	-	-	-	-	0.1	0.1	-	-	-
At 31 December 2017	**0.2**	**(2.2)**	**(2.0)**	-	**(3.6)**	**(3.6)**	**6.4**	**(17.9)**	**(11.5)**	**0.1**	**(0.3)**	**(0.2)**

19. Post-employment benefits (continued)

The aggregate movement in the defined benefit liability over the period is as follows:

	Assets €m	Liabilities €m	Total €m
At 9 May 2017	-	-	-
Acquired in business combination 31 August 2017	6.6	(24.1)	(17.5)
Current service cost	-	(0.2)	(0.2)
Net interest expense	-	(0.1)	(0.1)
	-	(0.3)	(0.3)
Remeasurements:	-	-	-
- Return on plan assets, excluding amounts included in interest income	0.1	0.3	0.4
Gain / (loss) from change in demographic assumptions	-	-	-
Gain / (loss) from change in financial assumptions	-	-	-
Experience gains / (losses)	-	-	-
Change in asset ceiling, excluding amounts included in interest expense	-	-	-
	0.1	0.3	0.4
Contributions:	-	-	-
- Employers	-	-	-
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	-	0.1	0.1
At 31 December 2017	**6.7**	**(24.0)**	**(17.3)**

The significant actuarial assumptions used are as follows:

Assumptions for the period	**Limay**	**Closed**	**Waltrop**	**HLS**
Expected rate of salary increases	**3.0%**	**scheme closed**	**2.0%**	**2.0%**
Expected rate of increases of pensions in payment	**n/a**	**1.75%**	**1.75%**	**1.75%**
Discount rate	**1.5%**	**1.93%**	**2.13%**	**2.13%**
Rate of inflation	**1.5%**	**1.75%**	**1.75%**	**1.75%**

19. Post-employment benefits (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring:

	Limay	Closed	Waltrop	HLS
Retirement age	**63 Execs, 62 Others**	**65**	**65**	**65**
Longevity at retirement age for current pensioners:				
- Men	**n/a**	**19 years**	**19 years**	**19 years**
- Women	**n/a**	**23 years**	**23 years**	**23 years**
Longevity at retirement age for future pensioners:				
- Men	**n/a**	**23 years**	**23 years**	**23 years**
- Women	**n/a**	**26 years**	**26 years**	**26 years**

The sensitivity of the calculation of defined benefit obligations (DBO) to changes in the weighted principal assumptions used is illustrated below:

	Limay			Closed			Waltrop			HLS		
	Change in assumption	Impact on DBO of: Increase	Decrease	Change in assumption	Impact on DBO of: Increase	Decrease	Change in assumption	Impact on DBO of: Increase	Decrease	Change in assumption	Impact on DBO of: Increase	Decrease
Discount rate	0.25%	-3.3%	+3.5%	0.5%	-5.8%	+6.4%	0.5%	-9.1%	+10.5%	0.5%	-12.6%	+15.0%
Salary growth rate	0.25%	+3.6%	-3.4%	n/a	n/a	n/a	0.5%	+1.3%	-1.2%	0.5%	+5.0%%	-4.6%%
Pension growth rate	n/a	n/a	n/a	0.5%	+5.6%	-5.2%	0.5%	+7.3%	-6.6%	0.5%	+8.0%	-7.2%
Life expectancy	n/a	n/a	n/a	1 yr	+3.2%	-3.3%	1 yr	+3.3%	-3.3%	1 yr	+3.6%	-3.6%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

Plan assets at fair value are comprised as follows:

					2017
	Limay	**Closed**	**Waltrop**	**HLS**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**
Unquoted qualifying insurance policies	**0.2**	**-**	**6.4**	**0.1**	**6.7**
	0.2	**-**	**6.4**	**0.1**	**6.7**

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

19. Post-employment benefits (continued)

Asset volatility – the plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets (held in the form of unquoted qualifying insurance policies) underperform this yield, this will create a deficit.

Changes in bond yields – a decrease in corporate bond yields will increase plan liabilities. Conversely, an increase in corporate bond yields will reduce plan liabilities.

Life expectancy – The obligations of the German plans are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in these plans' liabilities.

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are €0.5m.

The weighted average period of the defined benefit obligation is as follows:

				2017
	Limay yrs	Closed yrs	Waltrop yrs	HLS yrs
Average of the defined benefit obligation	14	12	23	28

NextPharma makes payments to staff personal pension plans in accordance with employment contracts in place with employees. There were no amounts outstanding or prepaid at the period end. The amount recognised for the defined contribution scheme was:

	2017 €m
Contributions in the period	-

Company

The Company had no post-employment benefit liabilities at 31 December 2017.

20. Financial instruments

The Group has the following financial instruments:

	2017 Loans and receivables €m	Total €m
Assets as per balance sheet		
Trade and other receivables excluding prepayments	36.9	36.9
Cash and cash equivalents	15.6	15.6
Total	52.5	52.5

	Other financial liabilities at amortised cost €m	Total €m
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	(131.2)	(131.2)
Finance lease liabilities	(5.2)	(5.2)
Trade and other payables excluding non-financial liabilities	(38.9)	(38.9)
Total	(175.3)	(175.3)

The Company had no financial instruments at 31 December 2017.

21. Share capital

	Number of shares	Ordinary shares €m
At 16 June 2017	1	-
Shares issued (see below)	37,499,707	19.2
At 31 December 2017	**37,499,708**	**19.2**

The change in number of shares issued in the period is as follows:

	A shares	A pref shares	B shares	B pref shares	C shares	C1 shares	Loan note pref shares
At 16 June 2017	-	1	-	-	-	-	-
New shares issued	17,500,100	17,324,999	571,360	569,250	264,000	120,000	1,149,998
At 31 December 2017	**17,500,100**	**17,325,000**	**571,360**	**569,250**	**264,000**	**120,000**	**1,149,998**

All shares issued in the period were fully paid, with €17.7m received in cash and the balance of €1.5m being received in exchange for the 2.2% shares in the NextPharma group of companies held by certain members of key management.

The aggregate authorised nominal amount of the Company's share capital is €100m.

The characteristics of the different classes of shares are summarised below:

Class of share	Nominal value (€)	Voting entitlement	Dividend rights	Ranking and entitlement on winding up the Company
A shares	0.01	Yes	Yes	Third
A pref shares	1.00	No	None	Second
B shares	0.01	Yes	Yes	Third
B pref shares	1.00	No	None	Second
C shares	0.0001	No	Yes	Fourth
C1 shares	0.0001	Yes	Yes	Fourth
Loan note pref shares	1.00	No	8% p.a.	First

The class C and C1 shares as per above were granted to certain members of key management for no consideration at the date that CapVest acquired the NextPharma group. The unrestricted rights to these shares, including the ability to sell them, principally crystallises on an exit event and is dependent on certain defined thresholds being met.

Management has estimated the fair value of such shares to be €nil as at the date of such grant and as such no income statement charge arises for the period ended 31 December 2017.

22. Cash generated from operations

	2017 €m
Loss for the period before income tax	**(8.2)**
Adjustments for:	
Amortisation of intangible assets (note 11)	**0.6**
Depreciation of tangible assets (note 12)	**1.9**
Loss on disposal of tangible assets	**0.1**
Finance costs – net (note 9)	**3.1**
Working capital movements:	
- Decrease in inventories	**4.0**
- Decrease in trade and other receivables	**0.8**
- Increase in trade and other payables	**5.4**
Cash generated from operations	**7.7**

23. Contingencies

NextPharma is subject to ordinary and routine litigation arising out of the conduct of its business. Where costs are likely to be incurred a provision is made. Otherwise, management believes that the ultimate disposition of any of these potential proceedings will not have a material adverse effect on NextPharma's financial condition.

In accordance with the Senior Facilities Agreement document dated 23 June 2017, the Company and its subsidiaries entered a guarantee agreement to secure loans from Barings Global Advisers Limited and Joh. Berenberg, Gossler & Co. KG. The contingent liability is secured with the assets of the Company and its subsidiaries, including revenues, property and rights of every kind, present, future, actual and contingent and whether tangible or intangible.

24. Commitments

At 31 December 2017 the Group had contracted to acquire €7.0m fixed asset additions.

The Group had the following future minimum lease payments under non-cancellable operating leases:

	2017 €m
Payments due	
No later than one year	3.7
Later than one year and no later than five years	12.8
Later than five years	5.6
	22.1

The Group had no other off-balance sheet arrangements.

Company
The Company had no capital or other commitments at 31 December 2017.

25. Business combinations

On 31 August 2017 the Group acquired 100% of the issued share capital of the NextPharma group of companies for a total consideration of €70m. Prior to the acquisition 97.8% of the shares in the NextPharma group of companies were held by a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc. with the remaining 2.2% held by certain members of key management.

Cash consideration of €68.5m was paid for 97.8% of the equity of the NextPharma group of companies. In addition, shares in NextPharma UK TopCo Limited with a fair value of €1.5m were issued to certain members of key management in exchange for their 2.2% holding in the NextPharma group of companies prior to the acquisition.

The NextPharma group of companies is a pan-European pharmaceutical contract development and manufacturing business which primarily specialises in producing solid, liquid and semi-solid finished dosage forms for its customers. The principal reason for the acquisition was to capitalise on the leadership position of the NextPharma group of companies in a growing market.

25. Business combinations (continued)

The following table summarises the fair value of the consideration paid for the NextPharma group of companies and the fair value of assets acquired and liabilities assumed at the acquisition date:

	Carrying value at acquisition €m	Provisional fair value adjustment €m	Provisional fair value €m
Consideration at 31 August 2017			
Cash			68.5
Equity shares (see below)			1.5
Total consideration			**70.0**
Recognised amounts of identifiable assets acquired and liabilities assumed			
Intangible assets - customer relationships (note 11)	-	30.8	30.8
Intangible assets - software (note 11)	0.9	-	0.9
Property, plant and equipment (note 12)	33.5	16.9	50.4
Deferred tax assets	4.1	(3.5)	0.6
Trade and other receivables	38.0	-	38.0
Inventories	17.8	1.9	19.7
Cash and cash equivalents	7.0	-	7.0
Borrowings	(76.8)	-	(76.8)
Deferred tax liabilities	(0.1)	(11.1)	(11.2)
Post-employment obligations: pensions	(17.5)	-	(17.5)
Trade and other payables	(37.7)	-	(37.7)
Total identifiable net (liabilities) / assets	**(30.8)**	**35.0**	**4.2**
Goodwill			**65.8**
Total			**70.0**

All fair values are provisional and will be finalised within 1 year of the business combination.

Details of the significant fair value adjustments are given below:

PPE - The total fair value adjustment to property plant and equipment comprises €9.2m to restate the book values of the Group's land and buildings from historic cost to current market values and €7.7m to reflect an upward adjustment to production machinery to reflect a fair value based on depreciated replacement cost.

As required by IFRS 3 'Business combinations' management performed an assessment to determine whether any additional intangible assets had been acquired along with the NextPharma business and determined that it was appropriate to reflect the value of customer relationships at €30.8m. The fair value of this intangible asset was estimated by management using a multi-period excess earning methodology.

In accordance with IFRS 3 total adjustments of €14.6m were made to the book value of deferred tax assets and liabilities as a result of the fair value adjustments described above.

The goodwill of €65.8m is attributable to NextPharma's growth potential and the experience and expertise of its workforce. The goodwill has been allocated to the Group's cash generating units in Germany and France.

25. Business combinations (continued)

Acquisition-related costs amounting to €8.4m are included within exceptional administrative expenses in the consolidated income statement for the period ended 31 December 2017.

The fair value of trade and other receivables is €38.0m and includes trade receivables with a fair value of €29.7m. The gross contractual amount for trade receivables due is €29.8m, against which a provision of €0.1m had been made in respect of balances where there was a risk of them being uncollectible.

100% (€56.6m) of the revenue included in the consolidated income statement since 31 August 2017 was contributed by the NextPharma group. The acquired NextPharma group also contributed profit of €1.6m over the same period. Management accounts of the consolidated NextPharma group for the calendar year 2017 show revenues of €157.4m and a profit after tax of €2.5m.

26. Ultimate controlling party

Group and Company

NextPharma UK TopCo Limited is the parent company of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

The ultimate shareholder and ultimate controlling party is a private equity investment fund advised by CapVest Partners LLP (CapVest Fund III).

27. Related party transactions

Group

During the period NextPharma incurred management fees of €0.3m pursuant to agreements entered into with affiliates of CapVest Partners LLP.

In connection with the change of ownership on 31 August 2017 NextPharma incurred €2.3m consulting fees from affiliates of CapVest Partners LLP.

Apollo CV Jersey TopCo Limited, a company controlled by CapVest Partners LLP, has provided €35.0m loans to the group in its capacity as shareholder. Shareholder loans are described in note 17.

Company

Other than the transactions disclosed above, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

28. Investments

Company	**2017**
	€m
Shares in subsidiary undertaking	
At 16 June	-
Additions in period	19.2
At 31 December	**19.2**

Analysed as:	**2017**
	€m
NextPharma UK MidCo Limited	19.2
At 31 December	**19.2**

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

The Company owned 100% of its subsidiary NextPharma UK MidCo Limited. The subsidiary is not publicly traded. During the period no dividends were received from the subsidiary.

28. Investments (continued)

All holdings are ordinary shares with 100% of voting rights and shares held, unless otherwise noted below.

Name of company	*Country of incorporation*	*Registered address*	*Nature of business*
NextPharma UK MidCo Limited [5]	UK	1 Tannery House, Tannery Lane, Send, Woking, Surrey, GU23 7EF	Holding company
NextPharma Germany TopCo GmbH [6]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Holding company
NextPharma Germany ParentCo GmbH [7]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Holding company
NextPharma Germany BidCo GmbH [8]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Holding company
NextPharma GmbH [1]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Holding company & provision of administrative services
Pharbil Beteiligungsgesellschaft mbH [1]	Germany	Frankfurt am Main, Hildebrandstrasse 12, 37081 Göttingen	Sub group holding company
NextPharma Technologies GmbH [2]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Dormant
Pharbil Waltrop GmbH [2]	Germany	Im Wirrigen 25, 45731 Waltrop	Contract manufacture of pharmaceuticals
Pharbil Pharma GmbH [4]	Germany	Reichenberger Strasse 43, 33605 Bielefeld	Contract manufacture of pharmaceuticals
Allphamed Pharbil Arzneimittel GmbH [3]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Contract manufacture of pharmaceuticals
Pencef Pharma GmbH [3]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Contract manufacture of pharmaceuticals
NextPharma Logistics GmbH [3]	Germany	Stieghorster Straße 60, 33605 Bielefeld	Supplier of logistics services to the pharmaceutical industry
Pharbil Grundstücksgesellschaft mbH [1]	Germany	Hildebrandstrasse 12, 37081 Göttingen	Dormant
NextPharma S.A.S. [1]	France	17 Route de Meulen, 78520 Limay	Contract manufacture of pharmaceuticals
NextPharma Technologies USA Inc.[1]	USA	1 Tannery House, Tannery Lane, Send, Woking, Surrey, GU23 7EF	Dormant
Isaac Holdings S.à.r.l. [1]	Luxembourg	5 rue Guillaume Kroll, L-1882 Luxembourg	Holding company
NextPharma Holdings Ltd [9]	UK	1 Tannery House, Tannery Lane, Send, Woking, Surrey, GU23 7EF	Holding company
NextPharma Technologies Holding Limited [10]	UK	1 Tannery House, Tannery Lane, Send, Woking, Surrey, GU23 7EF	Holding company and provision of administrative services
NextPharma Technologies Limited [11]	UK	1 Tannery House, Tannery Lane, Send, Woking, Surrey, GU23 7EF	Dormant

1-100% held by NextPharma Germany BidCo GmbH
2-100% held by NextPharma GmbH
3-100% held by Pharbil Pharma GmbH
4-94% held by NextPharma GmbH, 6% held by Pharbil Beteiligungsgesellschaft mbH
5-100% held by NextPharma UK TopCo Limited
6-100% held by NextPharma UK MidCo Limited
7-100% held by NextPharma Germany TopCo GmbH
8-100% held by NextPharma Germany ParentCo GmbH
9-100% held by Isaac Holdings S.à.r.l.
10-100% held by NextPharma Holdings Ltd
11-100% held by NextPharma Technologies Holding Limited