

**Teva NI Limited (formerly Warner Chilcott UK  
Limited)**

**Annual report and financial statements**

**For the year ended 31 December 2017**



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COMPANIES HOUSE

# **Teva NI Limited (formerly Warner Chilcott UK Limited)**

## **Directors' report and financial statements for the year ended 31 December 2017**

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## **Directors and advisers**

### **Directors**

J W McIlroy (Resigned 14 March 2018)  
B C O Muldoon  
R Williams (Resigned 27 June 2018)  
P V Chestnutt (Appointed 13 June 2018)  
D M Cooper (Appointed 12 July 2018)

### **Registered office**

Old Belfast Road,  
Millbrook,  
Larne  
Northern Ireland  
United Kingdom  
BT40 2SH

### **Solicitors**

Arthur Cox  
Capital House  
3 Upper Queen Street  
Belfast  
BT1 6PU

### **Bankers**

Citibank  
Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Waterfront Plaza  
8 Laganbank Road  
Belfast  
BT1 3LR

**Strategic report for the year ended 31 December 2017**

The directors present their strategic report on the company for the year ended 31 December 2017.

**Principal activities**

The principal activities of the company are the development, manufacture and supply of pharmaceutical products and to undertake research and development activities on the behalf of other group companies.

**Review of business and future developments**

The directors consider the results for the financial year and the position of the company at the year-end to be satisfactory. The directors will seek every opportunity to increase profitable turnover.

The profit for the financial year is £1,124,905 (2016: £4,428,978). Net assets at 31 December 2017 are £82,234,602 (2016: £80,896,138). Prior year profit is after exceptional income of £6,331,483, therefore before exceptional items the results have improved in 2017.

The directors have a reasonable expectation that the company has sufficient funds to meet its liabilities as they fall due for a period of at least 12 months from the date these financial statements were signed, hence the directors have prepared the accounts on a going concern basis.

**Key performance indicators ('KPIs')**

The directors consider the KPIs to be turnover and profit on ordinary activities before taxation. The past two years performance is summarised below:

	2017 £	2016 £
Turnover	14,178,049	19,509,848
Profit on ordinary activities before taxation	1,383,848	5,883,724

The directors of Teva Pharmaceutical Industries Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using either financial or non-financial key performance indicators for the company other than those noted above is not necessary or appropriate for an understanding of the development, performance or position of the business of Teva NI Limited. The development, performance and position of Teva Pharmaceutical Industries Limited, which includes the company, are discussed in the group's annual report, which does not form part of this report.

**Principal risks and uncertainties**

The principal risk factor for the company is the recoverability of the investment in subsidiary undertakings which are dependent on the financial performance of the subsidiary undertakings. The directors have assessed the recoverability of the investments at 31 December 2017 and are satisfied that their carrying values are recoverable.

## Strategic report for the year ended 31 December 2017 (continued)

### Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, foreign exchange risk and credit risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

#### *Price risk*

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

#### *Foreign exchange risk*

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, principally on sales in dollars. While the company has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

#### *Credit risk*

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposure to customers. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board.

On behalf of the board



P V Chestnutt

**Director**

**28 September 2018**

## Directors' report for the year ended 31 December 2017

The directors present their annual report and the audited financial statements of the company for the financial year ended 31 December 2017.

### Directors

The directors of the company at the date of approval of the financial statements, are shown below:

B C O Muldoon  
P V Chestnutt (Appointed 13 June 2018)  
D M Cooper (Appointed 12 July 2018)

### Dividends

The directors do not recommend the payment of a final dividend (2016: £nil).

### Political donations

The company made no political donations during the year (2016: £nil).

### Research and development

The company is currently undertaking research and development projects in the areas of women's healthcare and combination products to support the group in the US pharmaceutical market. The company opted into the Research and Development Tax Credit scheme during the year. Under the terms of this scheme a taxable research and development expenditure credit of £964,423 was received in relation to expenditure incurred in the periods 31 December 2016 and 31 December 2017. This credit has been accounted for in the results for the year.

### Corporate social responsibility

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

### Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

### Employees

The company's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has appropriate incentive and career progression arrangements.

## Directors' report for the year ended 31 December 2017 (continued)

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Statement of disclosure of information to auditors

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 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 company's auditors are aware of that information.

### Independent auditors

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

By order of the board



P V Chestnutt

Director

28 September 2018

# ***Independent auditors' report to the members of Teva NI Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Teva NI Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- 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 balance sheet as at 31 December 2017; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **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 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 company's ability to continue as a going concern.

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### **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.



# ***Independent auditors' report to the members of Teva NI Limited (continued)***

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## **Reporting on other information (continued)**

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 year 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 company and its 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 6, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***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](http://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.

# ***Independent auditors' report to the members of Teva NI Limited (continued)***

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## **Other required reporting**

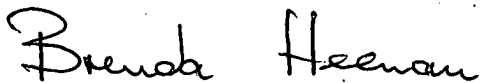
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### **Companies Act 2006 exception reporting**

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.



Brenda Heenan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast

Date: 28 September 2018

**Profit and loss account for the year ended 31 December 2017**

	Note	Total 2017 £	Total 2016 £
<b>Turnover</b>	5	<b>14,178,049</b>	19,509,848
Cost of sales		(12,496,722)	(16,864,280)
<b>Gross profit</b>		<b>1,681,327</b>	2,645,568
Administrative expenses		(1,180,043)	(5,862,021)
Other operating income	6	850,449	9,064,372
<b>Operating profit</b>		<b>1,351,733</b>	5,847,919
Operating profit/(loss) before exceptional item	7	1,351,733	(483,564)
Exceptional items	7	-	6,331,483
<b>Operating profit</b>		<b>1,351,733</b>	5,847,919
Interest receivable and similar income	10	32,115	35,805
<b>Profit on ordinary activities before taxation</b>		<b>1,383,848</b>	5,883,724
Tax on profit on ordinary activities	11	(258,943)	(1,454,746)
<b>Profit for the financial year</b>		<b>1,124,905</b>	4,428,978

The company has no other items of comprehensive income and so no statement of other comprehensive income has been presented.

## Balance sheet as at 31 December 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	12	-	-
Tangible assets	13	11,826,042	12,684,868
Investments	14	9,992,741	9,992,741
		<b>21,818,783</b>	<b>22,677,609</b>
<b>Current assets</b>			
Stock	15	577,858	908,406
Debtors	16	75,247,544	71,761,089
Cash at bank and in hand		216,849	291,815
		<b>76,042,251</b>	<b>72,961,310</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(14,899,469)</b>	<b>(13,986,262)</b>
<b>Net current assets</b>		<b>61,142,782</b>	<b>58,975,048</b>
<b>Total assets less current liabilities</b>		<b>82,961,565</b>	<b>81,652,657</b>
<b>Provisions for other liabilities</b>	18	<b>(726,963)</b>	<b>(713,154)</b>
<b>Deferred income</b>	19	<b>-</b>	<b>(43,365)</b>
<b>Net assets</b>		<b>82,234,602</b>	<b>80,896,138</b>
<b>Capital and reserves</b>			
Called up share capital	20	201,003	201,003
Share premium account		51,053,293	51,053,293
Profit and loss account		30,980,306	29,641,842
<b>Total shareholders' funds</b>		<b>82,234,602</b>	<b>80,896,138</b>

The notes on pages 13 to 26 are an integral part of these financial statements.

The financial statements on pages 10 to 26 were authorised for issue by the board of directors and were signed on its behalf by:



P V Chestnutt

Director

28 September 2018

**Statement of changes in equity for the year ended 31 December 2017**

	Called up share capital	Share premium	Profit and loss account	Total Shareholder's funds
	£	£	£	£
<b>Balance as at 1 January 2016</b>	<b>201,003</b>	<b>51,053,293</b>	<b>25,122,159</b>	<b>76,376,455</b>
Profit for the financial year	-	-	4,428,978	4,428,978
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>4,428,978</b>	<b>4,428,978</b>
Credit relating to equity-settled share-based payments	-	-	90,705	90,705
<b>Total transactions with owners, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>90,705</b>	<b>90,705</b>
<b>Balance as at 31 December 2016</b>	<b>201,003</b>	<b>51,053,293</b>	<b>29,641,842</b>	<b>80,896,138</b>

	Called up share capital	Share premium	Profit and loss account	Total Shareholder's funds
	£	£	£	£
<b>Balance as at 1 January 2017</b>	<b>201,003</b>	<b>51,053,293</b>	<b>29,641,842</b>	<b>80,896,138</b>
Profit for the financial year	-	-	1,124,905	1,124,905
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,124,905</b>	<b>1,124,905</b>
Credit relating to equity-settled share-based payments	-	-	213,559	213,559
<b>Total transactions with owners, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>213,559</b>	<b>213,559</b>
<b>Balance as at 31 December 2017</b>	<b>201,003</b>	<b>51,053,293</b>	<b>30,980,306</b>	<b>82,234,602</b>

**Notes to the financial statements for the year ended 31 December 2017****1. General information**

The company changed its name to Teva NI Limited on 10 May 2018.

The principal activities of Teva NI Limited are the development, manufacture and supply of pharmaceutical products and to undertake research and development activities on the behalf of other group companies.

The company is a private company limited by shares and is incorporated and domiciled in Northern Ireland. The address of its registered office is Old Belfast Road, Millbrook, Larne, Northern Ireland, United Kingdom, BT40 2SH.

**2. Statement of compliance**

The financial statements of Teva NI Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

**Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

These financial statements contain information about Teva NI Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt from preparing consolidated financial statements by virtue of section 400 of the Companies Act 2006.

**Going concern**

The directors have a reasonable expectation that the company has sufficient funds to meet its liabilities as they fall due for a period of at least 12 months from the date these financial statements were signed, hence the directors have prepared the accounts on a going concern basis.

**Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions.

These exemptions are:

- i. A reconciliation of the number of shares outstanding at the beginning and end of the period;
- ii. The requirement to prepare a statement of cash flows;
- iii. Certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- iv. Certain disclosure requirements of Section 26 in respect of share based payments provided that (i) for a subsidiary the share based payment concerns equity instruments of another group entity; or (ii) for an ultimate parent the share based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- v. The non-disclosure of key management personnel compensation in total.

**Notes to the financial statements for the year ended 31 December 2017 (continued)****3. Accounting policies (continued)****Foreign currency***Functional and presentation currency*

The company's functional and presentation currency is the pound sterling.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

All foreign exchange gains and losses are presented in the profit and loss account within 'Administrative expenses'.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

*Sale of goods*

Revenue represents the invoiced value of goods supplied during the year excluding value added tax and is net of sales returns, trade discounts and rebates. Revenue is derived from product sales and research and development activities. Revenue is recognised upon shipment of products, which is when title to the product is transferred to the customer or upon completion of services when results of testing have been delivered to the customer or logistics operations have been performed.

*Other operating income*

Other operating income includes rental income and income from warehousing services. Rental income and warehousing services income is recognised on a receivable basis.

**Exceptional items**

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

**Notes to the financial statements for the year ended 31 December 2017 (continued)****3. Accounting policies (continued)****Employee benefits**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

*Defined contribution pension plans*

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, 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 respectively.

Current or deferred taxation assets and liabilities are not discounted.

*Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**Research and development tax credits**

Under UK legislation introduced in the 2013 Finance Bill, research and development credits can be claimed against qualifying research and development expenditure. The company has elected to offset such credits against the relevant expenditure.

**Intangible assets***Goodwill*

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated useful economic life of 3 years, on a straight-line basis.

The assets are reviewed for impairment where there are factors that indicate the carrying value maybe impaired.



**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**3. Accounting policies (continued)**

**Tangible assets**

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

*(i) Land & buildings*

Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

*(ii) Plant and machinery, fixtures, fittings, office equipment and computer equipment*

Plant and machinery, fixtures, fittings, office equipment and computer equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

*(iii) Depreciation and residual values*

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

		%
Freehold buildings	-	2 - 5
Plant and machinery	-	10 - 20
Fixtures, fittings and office equipment	-	10 - 20
Computer equipment	-	20 - 33.3

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets under construction are not depreciated.

*(iv) Subsequent additions and major components*

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

*(v) Derecognition*

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'other operating income/(expenses)'.

**Leased assets**

At inception the company 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.

*Operating leased assets*

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 profit and loss account on a straight-line basis over the period of the lease.

**Notes to the financial statements for the year ended 31 December 2017 (continued)****3. Accounting policies (continued)****Tangible assets (continued)****Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

**Investments**

Investments in subsidiary companies are held at cost less accumulated impairment losses.

**Stock**

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Stock is recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

**Cash and cash equivalents**

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

**Government grants**

Grants that relate to specific capital expenditure are treated as deferred income and credited to the profit and loss account over the related asset's useful economic life. Grants that relate to revenue expenditure are credited to the profit and loss account over the year that the revenue expenditure relates to.

**Notes to the financial statements for the year ended 31 December 2017 (continued)****3. Accounting policies (continued)****Financial instruments**

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

*(i) Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*(ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, and accounts owed to group undertakings that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

*(iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Share capital**

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

**Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

**Notes to the financial statements for the year ended 31 December 2017 (continued)****3. Accounting policies (continued)****Share based payments**

The ultimate parent company issues equity-settled share options and cash-settled share appreciation rights to certain employees of the company for their services to the company. Equity-settled share-based payments are measured at fair value and are recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair values of these payments are measured at each reporting date using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the parent company's estimate of the number of awards which will lapse, either due to employees leaving the company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognised in the profit and loss account as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

A liability equal to the portion of the services received is recognised at and re-measured based on the current fair value determined at each balance sheet date for cash-settled share appreciation rights, with any changes in fair value recognised in profit or loss.

**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.

**(a) Critical judgements in applying the entity's accounting policies**

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

**(i) Impairment of fixed asset investments**

The company makes an estimate of the recoverable value of fixed asset investments. When assessing impairment of fixed asset investments, management considers factors including the net assets of the subsidiary in which the investment is held. If the net assets held are lower than the investment balance then a value in use calculation is performed. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. If the value in use calculation is lower than the value of the investment held an impairment is recognised.

**(b) Critical accounting estimates and assumptions**

There are no critical accounting estimates and assumptions.

**5. Turnover**

No analysis of turnover is presented as the directors consider such disclosure to be seriously prejudicial to the company's interest.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**6. Other operating income**

	Total 2017 £	Total 2016 £
Revenue Grants Receivable	28,287	253,069
Deferred capital grants released	43,365	48,006
Profit on disposal of investments	-	7,988,981
Rental income and warehousing services	778,797	774,316
	<b>850,449</b>	<b>9,064,372</b>

**7. Operating profit**

	2017 £	2016 £
<b>Operating profit is stated after (crediting)/charging:</b>		
Wages and salaries	4,985,881	5,614,054
Social security costs	622,666	811,885
Other pension costs	430,623	459,567
Share-based payments	490,390	1,280,080
<b>Staff costs</b>	<b>6,529,560</b>	<b>8,165,586</b>
Profit on disposal of investments	-	7,988,981
Depreciation of tangible assets	1,119,470	1,279,457
Cost of stock recognised as an expense	1,084,098	926,436
Audit fees payable to the company's auditor	39,825	42,500
Amounts owed to Group undertakings written off	-	1,657,498
Foreign exchange (gains)/loss	(51,125)	1,455,992

**Exceptional costs**

	2017 Number	2016 Number
Profit on disposal of investments	-	(7,988,981)
Amounts owed to Group undertakings written off	-	1,657,498
	-	(6,331,483)

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**8. Employees and directors**

**Employees**

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2017 Number	2016 Number
Administration staff	16	15
Other staff	129	129
	145	144

**Directors**

The directors' emoluments were as follows:

	2017 £	2016 £
Aggregate emoluments	307,958	519,226
Company pension contributions to defined contribution scheme	37,308	67,071

Post-employment benefits are accruing to two directors (2016: two) under a defined contribution scheme. No directors (2016: none) were members of defined benefit schemes.

**Highest paid director**

The highest paid director's emoluments were as follows:

	2017 £	2016 £
Aggregate emoluments	169,840	191,100
Company pension contributions to defined contribution scheme	15,519	36,145

**9. Share based payment**

The ultimate parent company grants equity-based incentives to its employees comprised:

- Time based vesting restricted stock awards.
- Performance based restricted stock awards measured to the EBITDA, as defined, of the Company or other performance based targets defined by the Company.
- Performance based restricted stock awards measured to the Total Stockholders Return, compared to pre-defined metrics.

The fair value of the time based vesting unrestricted stock awards and performance based restricted stock awards are based on the fair value of the ultimate parent company's share as of the grant date. The fair value of the performance based restricted stock awards is calculated using the Black-Scholes model. Restricted stock and restricted stock unit awards (both time-based vesting and performance-based vesting) generally have a one to four year vesting period. Restrictions generally lapse for non-employee directors after one year. Certain restricted stock units are performance-based awards issued at a target number with the actual number of restricted shares issued ranging based on achievement of the performance criteria. The awards have a \$34.70 exercise price. Total charge for the equity settled share based payments during the year was £213,559 (2016: £90,705).

The fair value of the options is \$5.88.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**
**9 Share based payment (continued)**
**Cash-settled share-based payment schemes**

The company issues cash-settled share appreciation rights (SARs) to certain employees that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The total expense for the year amounts to £276,831 (2016: £1,189,375).

**10. Interest receivable and similar income**

	2017	2016
	£	£
Nett Interest receivable	32,115	35,805

**11. Tax on profit on ordinary activities**
**(a) Tax charge included in profit or loss**

	2017	2016
	£	£
<b>Current tax:</b>		
UK corporation tax on profits for the year	364,304	1,059,790
Adjustment in respect of previous years	(119,170)	426,486
<b>Total current tax</b>	<b>245,134</b>	<b>1,486,276</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(81,488)	(308,431)
Adjustment in respect of previous years	95,297	276,901
<b>Total deferred tax</b>	<b>13,809</b>	<b>(31,530)</b>
<b>Tax charge on profit on ordinary activities</b>	<b>258,943</b>	<b>1,454,746</b>

**(b) Reconciliation of tax charge**

Tax assessed for the period is lower (2016: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

	2017	2016
	£	£
<b>Profit on ordinary activities before taxation</b>	<b>1,383,848</b>	<b>5,883,724</b>
Profit on ordinary activities multiplied by the effective rate derived from the standard rate in the UK of 19.25% (2016: 20.00%)	266,391	1,176,745
<b>Effects of:</b>		
Expenses not deductible/(income not taxable) for tax purposes	56,499	(1,136,302)
Group relief surrendered	-	676,646
Rate changes	(40,073)	34,270
Adjustment in respect of previous years	(23,874)	703,387
<b>Tax charge on profit on ordinary activities</b>	<b>258,943</b>	<b>1,454,746</b>

**Notes to the financial statements for the year ended 31 December 2017 (continued)**
**12. Intangible assets**

	Goodwill £
<b>Cost</b>	
At 1 January 2017 and at 31 December 2017	1,108,025
<b>Accumulated amortisation</b>	
At 1 January 2017	1,108,025
Charge for the year	-
<b>At 31 December 2017</b>	<b>1,108,025</b>
<b>Net book amount</b>	
At 31 December 2017	-
At 31 December 2016	-

**13. Tangible assets**

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and office equipment £	Computer equipment £	Assets under construction £	Total £
<b>Cost</b>						
At 1 January 2017	13,089,461	12,057,277	863,958	1,238,791	406,673	27,656,160
Additions	-	-	-	-	260,644	260,644
Reclassification	63,865	27,235	-	-	(91,100)	-
Disposals	-	(429,421)	-	-	-	(429,421)
<b>At 31 December 2017</b>	<b>13,153,326</b>	<b>11,655,091</b>	<b>863,958</b>	<b>1,238,791</b>	<b>576,217</b>	<b>27,487,383</b>
<b>Accumulated depreciation</b>						
At 1 January 2017	3,982,135	9,141,888	621,617	1,225,652	-	14,971,292
Charge for the year	390,732	660,785	54,814	13,139	-	1,119,470
Disposals	-	(429,421)	-	-	-	(429,421)
<b>At 31 December 2017</b>	<b>4,372,867</b>	<b>9,373,252</b>	<b>676,431</b>	<b>1,238,791</b>	<b>-</b>	<b>15,661,341</b>
<b>Net book amount</b>						
At 31 December 2017	8,780,459	2,281,839	187,527	-	576,217	11,826,042
At 31 December 2016	9,107,326	2,915,389	242,341	13,139	406,673	12,684,868



**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**14. Investments**

	£
<b>Cost</b>	
At 1 January 2017 and at 31 December 2017	9,992,741

The company's subsidiaries, which operate principally in their respective countries of incorporation, are:

**Details of subsidiaries**

<b>Name</b>	<b>Principal activity</b>	<b>Country of incorporation or registration</b>	<b>Proportion of ordinary shares held</b>
Teva Pharma Uk Ltd (formerly Warner Chilcott Pharmaceuticals UK Limited)	Non-trading entity	England and Wales	100%

The registered address of the above company is Ridings point, Whistle Drive, Castleford, England WP10 5HX

**15. Stock**

	2017 £	2016 £
Raw materials and consumables	71,549	409,257
Work in progress	26,292	112,924
Finished goods and goods for resale	480,017	386,225
	<b>577,858</b>	<b>908,406</b>

There is no significant difference between the replacement cost of stocks and their carrying amounts.

**16. Debtors**

	2017 £	2016 £
Amounts owed by group undertakings	72,925,120	70,804,720
Tax recoverable	1,296,673	-
Other debtors	962,060	551,030
Prepayments and accrued income	63,691	405,339
	<b>75,247,544</b>	<b>71,761,089</b>

Amounts owed by group undertakings are unsecured and are repayable on demand. Certain balances are interest free and others accrue interest.

## Notes to the financial statements for the year ended 31 December 2017 (continued)

## 17. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	504,489	314,156
Other Tax and Social Security	84,389	-
Amounts owed to group undertakings	12,285,268	10,829,439
Accruals and deferred income	2,025,323	2,842,667
	<b>14,899,469</b>	<b>13,986,262</b>

Amounts owed to group undertakings are unsecured, have no set date of repayment and are repayable on demand. Certain balances are interest free and others accrue interest.

## 18. Provisions for other liabilities

Provision for other liabilities	£
At 1 January 2017	713,154
Charged to the profit and loss account	(81,488)
Adjustment in respect of prior periods	95,297
<b>At 31 December 2017</b>	<b>726,963</b>

The provision for deferred tax consists of the following deferred tax liabilities:

	2017	2016
	£	£
Accelerated capital allowances	742,624	740,865
Other timing differences	(15,661)	(27,711)
<b>Total provision</b>	<b>726,963</b>	<b>713,154</b>

There are no unused tax losses or unused tax credits.

## 19. Deferred income

Government grants	£
At 1 January 2017	43,365
Released to the profit and loss account	(43,365)
<b>At 31 December 2017</b>	<b>-</b>

## 20. Called up share capital

Ordinary shares of £1 each

Allotted and fully paid	Number	£
At 1 January 2017 and at 31 December 2017	201,003	201,003

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**Notes to the financial statements for the year ended 31 December 2017 (continued)****21. Capital and other commitments**

At 31 December, the company had the following capital commitments:

	2017	2016
	£	£
Contracts for future capital expenditure not provided in the financial statements	19,692	61,555

**22. Controlling parties**

The immediate parent undertaking is Chilcott UK Limited.

The ultimate parent undertaking of the company during the year was Teva Pharmaceutical Industries Limited, a company registered in Israel.

As at 31 December 2017, Teva Pharmaceutical Industries Limited is the parent undertaking of the smallest and largest group into which the results of the company are consolidated. Copies of the consolidated financial statements are available from Teva Investor Relations at 1090 Horsham Road, North Wales PA, 19454 1.