

**Accord-UK Ltd**

Report and financial statements  
Registered number 00079585  
For the year ended 31 March 2018

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## Strategic report

The Directors present their strategic report on the company for the year ended 31 March 2018.

### Review of the business

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

The profit for the year before taxation decreased as shown in the income statement to £60 million (2017: £125 million).

On the 9th January 2017 Accord Healthcare Limited acquired the majority of the Actavis UK Limited business from Teva Pharmaceuticals Industries Limited. Prior to the divestment some assets were retained by Teva; these assets were carved out in late 2016.

In April 2017 Actavis integrated the Accord Healthcare UK business and commenced combined trading.

Actavis UK Limited changed its name to Accord-UK Ltd on the 5<sup>th</sup> March 2018.

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

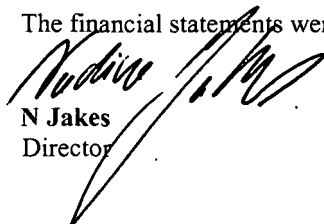
The company retains its position as a major supplier to the UK generics market and despite competitive trading conditions, the directors are confident that the company will maintain its current strong position. The company manages the risk of strong competition by:

- Building on high quality manufacturing capabilities and competitive cost base
- Rapidly responding to changing market requirements;
- Different customer service offerings and a broad portfolio offering and
- Good cost control and streamlining of business process to gain efficiency savings.

	2018	2017	Comments
Revenue growth	(21%)	0.9%	Revenue growth in the year has been annualised for comparison purposes. The decline was impacted by the required carve out of our portfolio, price erosion on key products compounded by lower launches of new products.
Operating profit %	21.1%	28.2%	Profit reduced through the carve-out of high value products and price erosion on key margin products.

The Barnstaple site is an EU/GMP approved large solid oral dosage facility that serves predominately the UK generic market. Other markets supplied include the Middle East and Asia. The site has successfully maintained a highly competitive low cost position through scale and breadth of portfolio and continues to focus on cost reduction initiatives whilst continuing to invest in the facility with improvements in technology and automation. Customer service remains a key success driver.

The financial statements were approved by the Board of Directors on 18 June 2018 and signed on its behalf by:

  
N Jakes  
Director

## Directors' report

### Directors' report for the year ended 31 March 2018

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

### Significant transactions in the year

In December 2017, the trustees of the Scheme entered into a 'buy-in' contract to secure annuity policies covering all pensions currently in payment (together with attaching dependants' pensions) and the liability for the future benefits for the remaining active and deferred pensioner members. The 'buy-in' required additional funding to be provided to the Defined Benefit Pension, an additional payment of £12 million was made. The remaining deficit of £2 million is the expected cost of final data validations for active members between the buy-in date and the buy-out date.

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

### Future Developments

The strategy of Accord-UK Ltd is to continue its growth and leadership position in generic pharmaceuticals through

- a flexible, scalable business model permitting us to adapt flexibly to changing market dynamics
- scale presence and a broad and growing portfolio
- well established relationship with customers, NHS, payers and government and exceptional product launch expertise
- cost leadership through continued efficiency programs and access to Intas Group supply chains and scale

Accord-UK Ltd is progressing well to comply with upcoming legislation to prevent circulation of counterfeit medicines (EU Falsified Medicines Directive). The uncertainty on cost burden of the new legislation and the ability to pass this on to the market is a key risk to the Company.

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

### Dividends

The directors paid a dividend of £60m or £39.29 per share (2017: £46m or £30.13 per share) to its immediate parent company, Accord Healthcare Ltd.

### Political expenditure

During the 2018 financial year the company made no political contributions (2017: none).

### Financial risk management

The company's activities expose it to a number of financial risks including credit risk, interest risk, foreign currency risk and liquidity risk. The company does not use derivative financial instruments and tries to limit those risks through the support of its parent company.

### Price risk

The price of pharmaceutical products can fluctuate depending on competitor activity and supply availability. The risk is managed by a diverse broad portfolio and a flexible supply chain to respond quickly to market dynamics.

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

### **Credit risk**

The company is exposed to the risk of financial losses should a counter party fail to meet their obligation. Appropriate credit limits are regularly reviewed and approved by directors and trade finance instruments such as letters of credits are used to limit any exposure. Overdue balances are reviewed on a weekly basis by senior management and any issues identified are dealt with in a timely manner.

### **Liquidity & cash flow risk**

The company controls liquidity risk by monitoring and forecasting cash balances very closely and enjoying parent company support for any excess or shortfalls in cash balances.

### **Interest risk**

The company has both interest-bearing assets and interest-bearing liabilities with intercompany counter parties which exposes the company to changes in interest rates.

### **Foreign currency risks**

Foreign currency exchange risk arises from purchases and sales in foreign currency. The company does not hedge against foreign currency risk and uses the group treasury function for support.

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Dr J Burt  
Ms N Jakes  
Mr J Wilson  
Mrs S Lee  
Mrs S J Vincent (resigned 30 June 2017)  
Mrs P Lethbridge (appointed 29 September 2017)

### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### **Research and Development**

The company benefits from access to the parent company's new product pipeline, which are developed in specialist R&D centres across the intercompany network.

Local R&D activities are focused on transfers, new technologies and methods to achieve efficiencies in manufacturing, packing and testing and to strengthen and extend formulations of older molecules.

### **Employees**

The company continues its policy of giving full and fair consideration to applications for employment from disabled persons and to the continuance of employment of existing employees who become disabled and for their subsequent training, promotion and career development related to their abilities and aptitudes.

The company recognises the value of informal consultation at work group level where its policy is to encourage an open management style with informal discussion about day-to-day operations and the technical and other factors affecting each work group.

A variety of methods are used to inform and discuss progress and consult on matters of concern to employees.

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

The company operates a bonus scheme as a means of encouraging the involvement of employees in the company's performance.

The company is committed to its adopted safety practices, which have enabled it to maintain high standards of health and safety for the benefit of employees, customers and the general public. The company is ISO 14001 certified.

### **Statement of directors' responsibilities in respect of the financial statements**

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

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

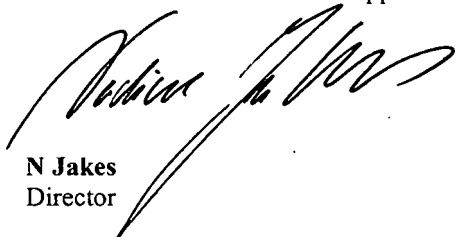
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

The financial statements were approved by the Board of Directors on 18 June 2018 and signed on its behalf by:



**N Jakes**  
Director

Whiddon Valley  
Barnstaple  
Devon  
EX32 8NS

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

### **Opinion**

We have audited the financial statements of Accord-UK Ltd for the year ended 31 March 2018 which comprise of the Income statement, Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

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

### **Responsibilities of directors**

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

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

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

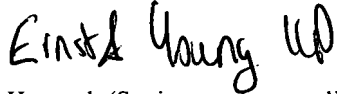
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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



**Use of our report**

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



John Howarth (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol  
22 June 2018

## Income statement

(All amounts in £ thousands unless otherwise stated)

	Note	12 Months ended 31 March 2018	15 Months ended 31 March 2017
<b>Revenue</b>	3	<b>278,145</b>	<b>438,614</b>
Cost of sales		(159,801)	(261,206)
<b>Gross profit</b>		<b>118,344</b>	<b>177,408</b>
Distribution costs		(7,017)	(7,102)
Administrative expenses		(52,252)	(45,186)
Other operating expense		(303)	(1,282)
<b>Operating profit</b>	4	<b>58,772</b>	<b>123,838</b>
Interest receivable and similar income	5	1,460	1,059
Interest payable and similar charges	6	(4)	-
Net interest income		1,456	1,059
<b>Profit on ordinary activities before income tax</b>		<b>60,228</b>	<b>124,897</b>
Income tax expense on ordinary activities	8	(11,522)	(24,201)
<b>Profit for the period</b>		<b>48,706</b>	<b>100,696</b>

All amounts relate to continuing operations.

**Statement of comprehensive income**

(All amounts in £ thousands unless otherwise stated)

	Note	12 Months ended 31 March 2018	15 Months ended 31 March 2017
<b>Profit for the period</b>		<b>48,706</b>	<b>100,696</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial loss on pension schemes	19	(23,003)	(10,734)
Movement on deferred tax relating to change in tax rates		319	(157)
		<b>(22,684)</b>	<b>(10,891)</b>
<b>Items that maybe subsequently reclassified to profit or loss</b>			
Asset ceiling on pension		9,080	(8,694)
Movement of deferred tax relating to pension deficit		4,472	1,796
Movement on deferred tax relating to asset ceiling		(1,725)	1,478
		<b>11,827</b>	<b>(5,420)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>(10,857)</b>	<b>(16,311)</b>
<b>Total comprehensive income for the period</b>		<b>37,849</b>	<b>84,385</b>

## Statement of financial position

(All amounts in £ thousands unless otherwise stated)

	Note	As at 31 March 2018	As at 31 March 2017
<b>Fixed assets</b>			
Intangible assets	9	39,362	45,848
Property, plant and equipment	10	35,673	23,683
		<b>75,035</b>	<b>69,531</b>
<b>Current assets</b>			
Inventory	11	55,191	54,299
Trade and other receivables	12	75,610	77,984
Cash and cash equivalents		627	8,105
		<b>131,428</b>	<b>140,388</b>
<b>Creditors – amounts falling due within one year</b>	13	<b>(97,950)</b>	<b>(87,718)</b>
<b>Net current assets</b>		<b>33,478</b>	<b>52,670</b>
<b>Total assets less current liabilities</b>		<b>108,513</b>	<b>122,201</b>
Creditors – amounts falling due after more than one year		-	-
Provision for liabilities	14	(8,941)	(478)
<b>Net assets</b>		<b>99,572</b>	<b>121,723</b>
<b>Equity</b>			
Called up share capital	17	1,527	1,527
Share premium account		8,294	8,294
Retained earnings		89,751	111,902
<b>Total shareholders' funds</b>		<b>99,572</b>	<b>121,723</b>

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

The financial statements on pages 9 to 28 were authorised for issue by the board of directors on 18<sup>th</sup> June 2018 and were signed on its behalf



N Jakes  
Director

## Statement of changes in equity

(All amounts in £ thousands unless otherwise stated)

	Notes	Called up share capital	Share premium	Retained earnings	Total
<b>Balance at 1 January 2016</b>		<b>1,527</b>	<b>8,294</b>	<b>73,517</b>	<b>83,338</b>
Profit for the year		-	-	100,696	100,696
<b>Other comprehensive income for the year:</b>					
Actuarial losses on pensions scheme	19	-	-	(10,734)	(10,734)
Asset ceiling		-	-	(8,694)	(8,694)
Movement on deferred tax relating to pension deficit and rate changes		-	-	1,639	1,639
Movement on deferred asset ceiling		-	-	1,478	1,478
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>84,385</b>	<b>84,385</b>
Dividends		-	-	(46,000)	(46,000)
Transfer to income statement reserve		-	-	-	-
Total transactions with owners recognised directly in equity		-	-	(46,000)	(46,000)
<b>Balance as at 31 March 2017</b>		<b>1,527</b>	<b>8,294</b>	<b>111,902</b>	<b>121,723</b>
<b>Balance at 1 April 2017</b>		<b>1,527</b>	<b>8,294</b>	<b>111,902</b>	<b>121,723</b>
Profit for the year		-	-	48,706	48,706
<b>Other comprehensive income for the year:</b>					
Actuarial losses on pensions scheme	19	-	-	(23,003)	(23,003)
Asset ceiling		-	-	9,080	9,080
Movement on deferred tax relating to pension deficit and rate changes		-	-	4,791	4,791
Movement on deferred asset ceiling		-	-	(1,725)	(1,725)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>37,849</b>	<b>37,849</b>
Dividends		-	-	(60,000)	(60,000)
Transfer to income statement reserve		-	-	-	-
Total transactions with owners recognised directly in equity		-	-	(60,000)	(60,000)
<b>Balance as at 31 March 2018</b>		<b>1,527</b>	<b>8,294</b>	<b>89,751</b>	<b>99,572</b>

## Notes to the financial statements

### 1 General Information

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

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Whiddon Valley, Barnstaple, Devon EX32 8NS

### 2 Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

#### *Basis of preparation*

The financial statements of Accord-UK Ltd have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a) (iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 Property, plant and equipment
  - Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flow)
  - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for a minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

## Notes to the financial statements (continued)

### *Basis of preparation (continued)*

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

### *Going concern*

The company has considerable financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report and Directors' Report.

### *Consolidation*

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

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### *Property, plant and equipment*

The cost of other property, plant and equipment is the purchase cost, together with any incidental expenses of acquisition. Depreciation is provided to write off the cost, less estimated residual values, evenly over the expected useful lives. It is calculated at the following rates:

Buildings	40 years
Plant and machinery	3 – 10 years
Fixtures and fittings	3 – 7 years

### *Intangible fixed assets and amortisation*

Intangible fixed assets represented by licenses, patents and trademarks are capitalised at their cost.

Intangible assets purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of ten to fifteen years. Amortisation is recognised within Administration Expense in the Income Statement.

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

### ***Trade and other receivables***

Trade and other receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets, if not, they are presented as non-current assets.

Trade and other receivables are recognised at cost less provisions for impairment.

### ***Cash and cash equivalents***

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

### ***Creditors***

Creditors are recognised at fair value

### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences which have arisen but not reversed at the balance sheet date, with the following exceptions:

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

### ***Contribution to pension funds***

The Company operates both a defined contribution pension scheme and a pension scheme providing benefits based on final pensionable pay. The assets of these schemes are held separately from those of the Company in independently administered funds.

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

In the group's defined benefit pension scheme, pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The pension scheme balance is recognised net of any related deferred tax balance with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above.



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

### ***Revenue***

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on acceptance of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### ***Deferred income***

When cash has been received by the company but the risks and rewards of ownership of the related goods have not been transferred, the cash received is credited to deferred income and will only be released to turnover when the risks and rewards of the related goods are no longer with the company.

### ***Government grants***

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related assets' useful economic life.

### ***Inventories***

Inventory and work in progress are stated at the lower of cost and net realisable value.

In the case of raw materials cost are based on actual cost with variances capitalised on a first in first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads. Attributable overheads have been allocated to production on the basis of normal activity.

Net realisable value is estimated selling price less all further costs to completion.

### ***Research and development expenditure***

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

### ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

### ***Critical accounting estimates and judgements***

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and critical judgments which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

### **Critical judgements**

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

#### **Retirement benefits**

The company's defined benefit schemes' pension liability/asset, which is assessed each year by actuaries, is based on key assumptions including discount rates, mortality rates, inflation, future salary costs and pension costs. These assumptions, individually or collectively, may be different to actual outcomes; refer to note 19 for further details.

A retirement benefit surplus is only recognised to the extent that it is expected to be recoverable in the future.

#### **Taxation and deferred taxation**

The company is subject to income taxes in the UK. At each financial year end, judgement is required in determining the provision for income taxes. The company recognises liabilities for anticipated tax issues based on the best estimates at the balance sheet date.

Determining the deferred tax on non-current assets and liabilities requires an element of judgement. The company recognises deferred tax assets and liabilities based on the best estimate at the balance sheet date.

Where the final tax outcome of the above matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the year in which such determination is made. The final outcome of some of these tax items may give rise to material income statement and/or cash flow movements.

#### **Legal Provisions**

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

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

### 3 Revenue

The revenue and profit before taxation is attributable to one activity in the UK, the manufacture and marketing of pharmaceutical products.

An analysis of turnover by geographical market based on the location of the customer is given below:

	2018 £000	2017 £000
United Kingdom	261,223	398,950
Overseas	16,922	39,664
	<u>278,145</u>	<u>438,614</u>

### 4 Operating profit

	2018 £000	2017 £000
<i>Operating profit is stated after charging:</i>		
Depreciation of owned assets	3,937	5,500
Amortisation of owned assets	6,156	1,155
Profit/(loss) on disposal of fixed assets	293	(9,925)
Auditors' remuneration – audit	257	234
Auditors' remuneration – non audit	-	65
Operating lease rentals recognised as an expense	498	224
Net loss on foreign currency translation	303	1,282
Research and development expenditure	1,057	341
Cost of Stocks recognised as an expense (included in cost of sales)	4,133	4,544

### 5 Interest receivable and similar income

	2018 £000	2017 £000
Bank interest	-	8
Other Interest	1,460	1,051
	<u>1,460</u>	<u>1,059</u>

Of the above amounts £1,460,650 was receivable from group undertakings (2017: £400,215 receivable).

### 6 Interest payable and similar charges

	2018 £000	2017 £000
Other interest	4	-
	<u>4</u>	<u>-</u>

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

### 7 Staff costs

The average monthly number of employees, excluding temporary employees, of the company during the year, analysed by activity, was:

	2018	2017
Production	488	481
Selling & distribution	115	121
Administration	55	44
	<u>658</u>	<u>646</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	26,712	35,672
Social security costs	2,892	4,144
Other pension costs	2,143	3,742
	<u>31,747</u>	<u>43,558</u>

Staff costs include the following remuneration in respect of directors:

	2018 £000	2017 £000
Remuneration	2,284	3,866
Benefits	9	12
Company contributions to money purchase pension schemes	6	47
	<u>2,299</u>	<u>3,925</u>

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

money purchase pension scheme	1	2
defined benefit pension scheme	-	-
share award scheme	4	2

#### Highest paid director:

The highest paid director did not exercise any share options.

	2018 £000	2017 £000
Aggregate emoluments	1,292	1,997
Defined contribution pension scheme accrued pension at end of year	-	-

## Notes to the financial statements (continued)

### 8 Income tax expense

	2018 £000	2017 £000
<i>Current tax</i>		
Current tax on income for the year	11,877	22,853
Group relief	-	-
Adjustments in respect of prior years	(202)	(160)
	<b>11,675</b>	<b>22,693</b>
<i>Deferred tax</i>		
Origination/reversal of timing differences (see note 14)	(244)	(233)
Adjustments in respect of prior years (see note 14)	91	52
FRS 17 adjustment recognised through the profit and loss account	-	1,612
Impact of differing tax rates	-	77
Tax on profit on ordinary activities	<b>11,522</b>	<b>24,201</b>

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

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below.

A number of changes to the UK corporation tax system were announced in the Summer Budget 2015, including reducing the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. This was substantively enacted in Section 7 of the Finance Act 2015. At Budget 2016, the Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. This has also been substantively enacted. The closing deferred tax liability in these financial statements has been recognised at 17% other than the deferred tax asset related to the pension scheme as this is expected to fully unwind within the next 12 months and has therefore been recognised at 19%.

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	60,228	124,897
Current tax at 19% (2017: 20%)	<b>11,443</b>	<b>24,979</b>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	22	(286)
Depreciation in excess of capital allowances	1,157	631
Amortisation of Intangible Assets	(781)	(231)
Origination/reversal of timing differences	36	(2,317)
Adjustments to tax charge in respect of prior years	(202)	(160)
Impact of differing tax rates	0	77
Current tax charge for period (see above)	<b>11,675</b>	<b>22,693</b>

## Notes to the financial statements (continued)

### 9 Intangible assets

	<b>£000</b>
<b>Cost</b>	
At beginning and end of year	55,575
Additions	-
Disposals	-
Impairments	(373)
At end of year	55,202
<b>Accumulated amortisation</b>	
At beginning of year	9,727
Charged in year	6,156
Impairment in the year	(43)
At end of year	15,840
<b>Net book value</b>	
At 31 March 2017	45,848
At 31 March 2018	39,362

### 10 Property, plant and equipment

	Land & Freehold buildings £000	Plant and machinery £000	Fixtures & fittings £000	Total £000
<b>Cost</b>				
At 31 March 2017	14,230	62,292	1,184	77,706
Additions	15,163	843	300	16,306
Disposals	-	(389)	(87)	(476)
At 31 March 2018	29,393	62,746	1,397	93,536
<b>Depreciation</b>				
At 31 March 2017	5,912	47,430	681	54,023
Charge for the year	347	3,284	306	3,937
Disposals	-	(10)	(87)	(97)
31 March 2018	6,259	50,704	900	57,863
<b>Net book value</b>				
At 31 March 2018	23,134	12,042	497	35,673
At 31 March 2017	8,318	14,862	503	23,683

Included in land and freehold buildings is land with a cost of £14,786,407 (2017: £672,000) that has not been depreciated during the period.

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

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

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

	2018 £000	2017 £000
Cost	146	146
Accumulated amortisation	(135)	(112)
Net book value	11	34

### 11 Inventory

	2018 £000	2017 £000
Raw materials	6,326	5,727
Work in progress	5,295	5,861
Finished goods	43,570	42,711
	55,191	54,299

### 12 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	52,827	52,831
Amounts owed by group undertakings	18,510	20,777
Prepayments and accrued income	1,239	856
Other receivables – deferred tax	3,034	3,520
	75,610	77,984

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

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

	2018 £000	2017 £000
Trade creditors	22,442	18,677
Amounts owed to group undertakings	12,215	2,720
Corporation tax	202	6,168
Other taxation and social security	2,319	10,736
Accruals and deferred income	58,847	49,417
Defined benefit pension scheme liability	1,925	
	97,950	87,718

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

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

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

### 14 Provisions for liabilities

	2018	2017
	£000	£000
<b>Deferred taxation</b>		
At beginning of period	478	659
Movement during the period	(91)	(181)
<b>At end of period</b>	<b>387</b>	<b>478</b>
Other Provisions	8,554	-
	<b>8,941</b>	<b>478</b>

The elements of the deferred taxation provision are as follows:

	2018	2017
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	389	481
Other timing differences	(2)	(3)
Undiscounted provision for deferred tax	<b>387</b>	<b>478</b>

As per note 12, there is also a £3,034,000 (2017: £3,520,000) deferred tax asset.

Other Provisions includes provisions for legal cases including a patent case on Accords' Pemetrexed products and a CMA investigation on Paroxetine.

The Supreme Court ruled in July 2017 allowing Eli Lilly's appeal and holds that Accords' Pemetrexed products directly infringe Eli Lilly's patent in the United Kingdom.

The CMA has fined a number of pharmaceutical companies, including Accord-UK Ltd, for anti-competitive conduct and agreements in relation to the supply of paroxetine. Accord-UK Ltd has appealed the decision.

### 15 Capital commitments

	2018	2017
	£000	£000
Contracted but not provided for in these financial statements	<b>3,075</b>	<b>325</b>



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

### 16 Lease commitments

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

	2018 £000	2017 £000
Payments due:		
Land and buildings		
Not later than one year	5	11
After one year but not more than five years	-	-
	<u>5</u>	<u>11</u>
Other		
Not later than one year	58	318
After one year but not more than five years	476	452
	<u>534</u>	<u>770</u>

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

	2018 £000	2017 £000
Future minimum payments due:		
Not later than one year	12	19
After one year but not more than five years	-	37
	<u>12</u>	<u>56</u>
Less finance charges allocated to future payments	(1)	(6)
Present value of minimum lease payments	<u>11</u>	<u>50</u>

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

Not later than one year	11	13
After one year but not more than five years	-	37
	<u>11</u>	<u>50</u>

### 17 Called up share capital

Allotted, called up and fully paid 1,527,081 (2017: 1,527,081) ordinary shares of £1 each (2017: £1 each)

Equity shares carry one vote per share and an equal right to net assets in the event of a winding up of the company.

### 18 Ultimate and immediate parent company

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

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

## Notes to the financial statements (continued)

### 19 Pension scheme

#### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the 12 Months represents contributions payable by the Company to the scheme and amounted to £11,997,000 (2017: £31,312,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### *Defined benefit pension scheme*

The company operates a defined benefit pension scheme, The Actavis Defined Benefit Pension Plan (formerly the Alpharma Limited Retirement Benefit Scheme), providing benefits based on final pensionable pay. This is an approved funded pension scheme. The assets of the Scheme are held separately from the assets of the Company. The latest full actuarial valuation was carried out at 1 October 2015 and was updated for FRS 101 purposes to 31 March 2018 by a qualified independent actuary.

The scheme was closed to new entrants on 30 August 2006 and was closed to future accrual on 31 December 2010 at which time existing members of the pension scheme transferred to the company's defined contribution scheme. In November 2017, the trustees of the Scheme entered into a 'buy-in' contract to secure annuity policies covering all pensions currently in payment (together with attaching dependants' pensions) and the liability for the future benefits for the remaining active and deferred pensioner members.

The Scheme provides benefits on a defined benefit basis and the following disclosures relate to the defined benefit scheme alone. Contributions to the Scheme are assessed in accordance with the advice of a qualified actuary.

	2018 £000	2017 £000
Present value of funded defined benefit obligations	(83,033)	(87,422)
Fair value of plan assets	81,108	96,173
Asset ceiling	-	(8,751)
	(1,925)	-
Deficit	(1,925)	-
Related deferred tax asset	3,034	-
	1,109	-
Net asset	1,109	-

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

	2018 £000	2017 £000
At 1 April 2017 and 1 January 2016	(87,422)	(68,675)
Interest cost	(2,413)	(3,394)
Actuarial gains/(loss) arising from:		
- Changes in financial assumptions	(178)	(22,451)
- Changes in demographic assumption	3,133	1,781
- Experience gains/losses	1,374	3,741
Benefits paid	2,473	1,576
	(83,033)	(87,422)
At 31 March	(83,033)	(87,422)

#### *Movements in fair value of plan assets*

	2018 £000	2017 £000
At 1 April 2017 and 1 January 2016	96,173	57,057
Interest income on plan assets	2,742	3,185
Return/loss on plan assets in excess of interest income	(27,331)	6,195
Contributions by employer	11,997	31,312
Benefits paid	(2,473)	(1,576)
At 31 March	81,108	96,173

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

**19 Pension Scheme (continued)**

*Expense recognised in the income statement*

	<b>2018</b>	2017
	<b>£000</b>	£000
Interest cost on defined pension plan obligation	(2,413)	(3,394)
Interest on effect of asset ceiling	(329)	-
Interest income on defined benefit pension plan assets	<u>2,742</u>	<u>3,185</u>
 Total	 <u>-</u>	 <u>(209)</u>

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

	<b>2018</b>	2017
	<b>£000</b>	£000
Interest payable and similar charges	<u>-</u>	<u>(209)</u>
 Total	 <u>-</u>	 <u>(209)</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a loss of £23,003,000 (2017: £10,734,000).

Cumulative actuarial gains/losses reported in the statement of comprehensive income for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under IAS 19, are losses of £49,393,000 (2017 loss of £26,391,000).

The fair value of the plan assets were as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
Equities	-	33,098
Bonds	-	25,460
Cash and other investments	475	37,615
Insurance policies	<u>80,633</u>	<u>-</u>
	 <u><b>81,108</b></u>	 <u>96,173</u>

## Notes to the financial statements (continued)

### 19 Pension Scheme (continued)

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

	2018	2017
Discount rate	2.7% pa	2.8% pa
Inflation – RPI	3.4% pa	3.5% pa
Salary growth	4.9% pa	5.0% pa
Pension increases in deferment – Pre April 2009	3.4% pa	3.5% pa
Pension increased in deferment – Post April 2009	2.5% pa	2.5% pa
Pension increases in payment – Fix 3%	3.0% pa	3.0% pa
Pension increases in payment – RPI, max 5%	3.3% pa	3.4% pa
Pension increases in payment – RPI, max 2.5%	2.4% pa	2.4% pa
Base mortality table	S2PMA/S2PFA	S2PMA/S2PFA

The company expects to make a contribution of £1,925,000 to its defined benefit plan in the next financial year.

The table below illustrates the estimated impact on the scheme's gross defined benefit obligation as at 31 March 2018 as a result of movements in the principal assumptions used to measure that obligation.

	2018
Increase / decrease assumed rate of salary growth by 0.5% p.a.	+3% / -3%

The above sensitivity analysis is based on a change in the salary growth assumption, which would affect the liabilities but not the value of assets.

Changes in the other assumptions will have broadly the same effect on both the liabilities and assets, the resulting shortfall/surplus is therefore relatively insensitive to changes in the assumptions.

#### Post retirement mortality assumptions

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

	2018	2017
	Years	Years
Life expectancies at age 65:		
Current pensioners at retirement age – male	87.1	87.5
Current pensioners at retirement age – female	89.0	89.6
Future pensioners at retirement age – male	88.8	89.7
Future pensioners at retirement age – female	90.8	91.9

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

### **20 Information on related undertakings**

During the year the Company made contributions of £12m to the Actavis Defined Benefit Pension Scheme to fund the administration of the scheme and to reduce the deficit.

The company enters into trading transactions with fellow group companies, details of which have not been disclosed in the financial statements as the company has availed of the exemption in FRS 101 paragraph 8, available to those companies whose financial statements are included in those of its parent and which are available to the public.

### **21 Contingent Liabilities**

The CMA is currently investigating matters relating to the pricing and supply of Hydrocortisone tablets in the UK. The CMA has recently indicated that it proposes to issue a fine in connection with Accord-UK Ltd.'s pricing of Hydrocortisone tablets in the UK.

Intas/Accord may appeal any fine imposed. If a fine is imposed and any appeal is unsuccessful, litigation may be issued against the group in connection with this matter. No provisions have been made in these accounts.