

Forest Laboratories UK Limited

Annual report and consolidated financial statements

for the year ended 31 December 2016

Company Number: 00532832

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Forest Laboratories UK Limited

Annual report and consolidated financial statements for the year ended 31 December 2016

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Directors

R Williams
K Innes

Registered office

Whiddon Valley, Barnstaple, North Devon, United Kingdom, EX32 8NS

Company number

00532832

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Princess Court, 23 Princess St, Plymouth, PL1 2EX

Forest Laboratories UK Limited

Group strategic report for the year ended 31 December 2016

Review of the business

On 2 August 2016, Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc. As part of the process to complete the transaction in the UK, regulatory approval was required from the European Commission, which ruled that part of the acquired business must subsequently be divested. Following the ruling from the European Commission, the company divested assets for a value of £1,068,000 to Actavis UK Limited and this amount was recognized as other operating income in the profit and loss account. For details of the divestment please refer to note 19.

During 2015 the company transferred its activities to fellow group companies and will no longer receive any income from direct sales of its products. Going forward, the company will earn revenues in the form of income from its intangible assets, which represent trademarks and licences for goods now sold by other group entities. These trademarks and licences are for branded Pharmaceutical products sold in the UK, Europe and Asian markets.

Revenues have declined by 57% largely due to this reconfiguration of the distribution to market and the management of contract manufacturing by affiliate companies. However, gross profit has increased in 2016 compared with 2015 as the company no longer incurs any cost of sales.

The directors have performed an impairment review of its intangible assets and based upon estimated future cash flows expected to arise, the recoverable amount of some of the product licences have been impaired during the financial year. The impairment loss of £438,400 has been recognised in the profit and loss account as part of administrative expenses. The company has also recognised a loss on disposal of intangible assets of £424,200 during the financial year.

The company continues to incur R&D expenses mainly in relation for clinical trials related to the Colobreathe brand, although at lower levels than seen in previous years when the brand was in launch phase.

The profit for the financial year as shown in the profit and loss account is £9,303,572 (2015: £5,488,788), a 70% increase from the prior financial year. The improvement in profitability is due to the aforementioned change in the principal activities of the business.

Key performance indicators are as follows:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Turnover	14,878,026	34,778,872
Gross profit	14,878,026	10,546,069
Operating profit	11,355,679	7,167,442
Interest receivable and similar income	48,760	78,266
Net assets	21,931,187	14,344,055

Principal risk and uncertainties

The directors consider that the key business risks and uncertainties affecting the company relate to competition from other manufacturers and distributors of pharmaceutical products. The company seeks to mitigate this by continual improvement in the product range and supply chain management.

Forest Laboratories UK Limited

Group strategic report
for the year ended 31 December 2016 (*continued*)

Financial risk management

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

The company has implemented policies that require appropriate credit checks on customers before sales are made and the amount of exposure to any individual counterparty is subject to a limit, which is assessed regularly by management.

Interest rate risk arises as a consequence of borrowings from group undertakings, the borrowings from which are at variable rates of interest. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

The company manages its liquidity risk by ensuring sufficient facilities are available for at least the next 12 months and enjoys the support of shareholders and group banking arrangements.

The company is exposed to movements in foreign currency exchange rates as a result of transactions in foreign currencies. The company does not hedge against currency risks associated with such transactions.

On behalf of the Board



R Williams - Director

Date: 13 September 2017

Forest Laboratories UK Limited

Directors' report for the year ended 31 December 2016

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Group during the year was generating income from activities related to the intellectual properties for pharmaceutical products and also engaging in the sale of product licences. Forest Laboratories has one subsidiary, Pharmax Limited. Pharmax Limited is dormant. Going forward, the group's activities will be limited to income and expenses from the product brand names, trademarks and market authorisations for goods sold by other group entities.

General

On 2 August 2016 Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc. As part of the process to complete the transaction in the UK, regulatory approval was required from the European Commission, which ruled that part of the acquired business must subsequently be divested. Following the ruling from the European Commission, the company divested assets for a value of £1,068,000 to Actavis UK Limited and this amount was recognized as other operating income in the profit and loss account. For details of the divestment please refer to note 19.

Future developments

The directors believe that the company is in a strong position to benefit from the increased market access and product marketing expertise it has gained following acquisition of the company by Teva Pharmaceutical Industries Limited.

Results and dividends

A review of the business can be found in the Group Strategic Report.

No dividends were declared or paid in the financial year (2015: £nil). The directors do not recommend the payment of a final dividend (2015: £nil).

Research and development

Research and development is primarily focused on clinical trials and maintaining current marketing authorisations. All costs relating to this are expensed.

Charitable and political contributions

During the year the group made no charitable contributions (2015: £nil). There were no political contributions during the year (2015: £nil).

Policy and practice on the payment of creditors

The group aims to pay its suppliers in accordance with their agreed upon terms and conditions. The number of average days purchases of the group represented by trade creditors at 31 December 2016 was 38 days (31 December 2015: 12 days).

Forest Laboratories UK Limited

Directors' report for the year ended 31 December 2016 (*continued*)

Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the ultimate parent company, Teva Pharmaceutical Industries Limited. The directors have received no evidence or indication from Teva Pharmaceutical Industries Limited that leads them to doubt that they will continue to operate the company as a going concern for at least a period of 12 months from the date these financial statements were signed.

Directors

The directors of the Group during the year and up to the signing of these consolidated financial statements, unless otherwise stated, were:

R Williams	(appointed 2 August 2016)
K Innes	(appointed 1 October 2016)
R Daniell	(appointed 2 August 2016 & resigned 1 October 2016)
S Vincent	(resigned 2 August 2016)
N Jakes	(resigned 2 August 2016)

None of the directors had any interest in the share capital of the group during the year or previous year.

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 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.

Forest Laboratories UK Limited

Directors' report for the year ended 31 December 2016 (*continued*)

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.

On behalf of the Board



R. Williams - Director

Date: 13 September 2017

Forest Laboratories UK Limited

Independent auditors' report to the members of Forest Laboratories UK Limited

Report on the financial statements

Our opinion

In our opinion, Forest Laboratories UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's 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.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Profit & Loss Account and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Forest Laboratories UK Limited

Independent auditors' report to the members of Forest Laboratories UK Limited (*continued*)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

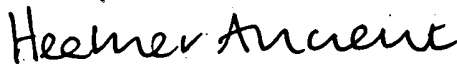
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Heather Ancient (Senior Statutory Auditor),
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

18 September 2017

Forest Laboratories UK Limited

Consolidated profit and loss account for the year ended 31 December 2016

		Year ended 31 December 2016		Year ended 31 December 2015	
	Note	Total and Continuing operations	Continuing operations	Discontinued Operations	Total
		£	£	£	£
Turnover	4	14,878,026	7,946,781	26,832,091	34,778,872
Cost of sales		-	-	(24,232,803)	(24,232,803)
Gross profit		14,878,026	7,946,781	2,599,288	10,546,069
Distribution costs		-	-	(169,545)	(288,373)
Administrative (expenses)/income		(4,590,347)	(3,665,993)	456,911	(3,090,254)
Other operating income		1,068,000	-	-	-
Operating profit	5	11,355,679	4,280,788	2,886,654	7,167,442
Interest receivable and similar income	7	48,760	78,266	-	78,266
Interest payable and similar expenses	7	(100,860)	(147,730)	-	(147,730)
Profit before taxation		11,303,579	4,211,324	2,886,654	7,097,978
Tax on profit	8	(2,000,007)	(805,909)	(803,281)	(1,609,190)
Profit for the financial year		9,303,572	3,405,415	2,083,373	5,488,788

The Group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the financial year was £9,303,572 (2015: £5,488,788).

The notes on pages 12 to 24 form part of these financial statements.

Forest Laboratories UK Limited

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Profit for the financial year		9,303,572	5,488,788
Other comprehensive income / (expense)			
Actual return less expected return on pension scheme assets	14	526,000	(9,000)
Change in assumptions underlying the present value of scheme liabilities	14	(2,594,000)	(249,000)
Deferred tax recognised on pension fund timing differences	8	351,560	46,440
Other comprehensive expense for the year		(1,716,440)	(211,560)
Total comprehensive income for the year		7,587,132	5,277,228

The notes on pages 12 to 24 form part of these financial statements.


Forest Laboratories UK Limited

Consolidated and Company Balance Sheets as at 31 December

	Note	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Fixed assets					
Tangible assets	9	198,045	243,769	198,045	243,769
Intangible assets	10	7,475,179	10,260,844	7,475,179	10,260,844
Investment in subsidiary undertakings	11	-	-	100	100
		7,673,224	10,504,613	7,673,324	10,504,713
Current assets					
Debtors	12	21,919,952	15,249,234	21,919,952	15,249,234
Cash at bank and in hand		139,060	294,458	139,060	294,458
		22,059,012	15,543,692	22,059,012	15,543,692
Creditors: amounts falling due within one year	13	(5,120,049)	(9,565,250)	(5,120,149)	(9,565,350)
Net current assets		16,938,963	5,978,442	16,938,863	5,978,342
Total assets less current liabilities		24,612,187	16,483,055	24,612,187	16,483,055
Provisions for liabilities					
Post-employment benefits	14	(2,681,000)	(2,139,000)	(2,681,000)	(2,139,000)
Net assets		21,931,187	14,344,055	21,931,187	14,344,055
Capital and reserves					
Called-up share capital	15	534,938	534,938	534,938	534,938
Retained earnings		21,396,249	13,809,117	21,396,249	13,809,117
Total shareholders' funds		21,931,187	14,344,055	21,931,187	14,344,055

The notes on pages 12 to 24 form part of these financial statements

The financial statements on pages 8 to 24 were authorised for issue by the board of directors on 13 September 2017 and were signed on its behalf.



R Williams - Director

Forest Laboratories UK Limited
Registered No.: 00532832

Forest Laboratories UK Limited

Consolidated and company statement of changes in equity for the year ended 31 December 2016

	Called up share capital £	Retained earnings £	Total Shareholders' funds £
Balance as at 1 January 2015	534,938	8,531,889	9,066,827
Profit for the financial year	-	5,488,788	5,488,788
Other comprehensive expense for the year	-	(211,560)	(211,560)
Total comprehensive income for the year	-	5,277,228	5,277,228
Balance as at 31 December 2015	534,938	13,809,117	14,344,055
	£	£	£
Balance as at 1 January 2016	534,938	13,809,117	14,344,055
Profit for the financial year	-	9,303,572	9,303,572
Other comprehensive expense for the year	-	(1,716,440)	(1,716,440)
Total comprehensive income for the year	-	7,587,132	7,587,132
Balance as at 31 December 2016	534,938	21,396,249	21,931,187

Forest Laboratories UK Limited

Forest Laboratories UK Limited

Notes to the financial statements
for the year ended 31 December 2016

1 General information

Forest Laboratories UK Limited ("the Company") and its subsidiary, Pharmax Limited (together "the Group") operate in the pharmaceuticals sector. The Group's activity relates to intellectual property on pharmaceutical products and it is engaged in the purchase and sale of product licences. Pharmax Limited is dormant. The company is a private company limited by shares and is incorporated in England. The address of the registered office is Whiddon Valley, Barnstaple, North Devon, United Kingdom, EX32 8NS.

2 Statement of compliance

The Group and Company financial statements of Forest Laboratories UK 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

Basis of preparation of the financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary, Pharmax Limited, for the year ended 31 December 2016.

The accounting policies outlined below have been uniformly adopted across the Group. All profits/losses on intra group transactions have been eliminated in the consolidated profit and loss account.

Under section 408(3) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company's individual profit for the financial year is £9,303,572 (financial year ended 31 December 2015: profit of £5,488,788).

Going Concern

The directors, having assessed the responses of the directors of the company's ultimate parent Teva Pharmaceutical Industries Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Teva Pharmaceutical Industries Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Financial reporting standard 102 - reduced disclosure exemptions

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

- The company has taken advantage of the exemption, under FRS 102 paragraph 1.12 (b), from preparing a statement of cash flows, on the basis that it is a qualifying group and its ultimate parent company, Teva Pharmaceutical Industries Limited, includes the company and group's cash flows in its own consolidated financial statements;
- the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange profits and losses are included in the Group's trading results.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the Group's ordinary activities after deduction of trade discounts and value added tax. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer, which is generally on delivery.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Taxation

Taxation expense for the year 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 taxation

Current tax is the amount of income tax payable in respect of the taxable 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 the position taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on re-valued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Tangible fixed assets and depreciation

For all tangible fixed assets, depreciation is provided to write off the cost or valuation, less estimated residual values, evenly over their expected useful lives. It is calculated at the following rates:

Plant, machinery, furniture, fixtures and fittings	- Up to 10 years
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Intangible fixed assets and amortisation

Intangible assets consist of purchased trademarks which are recorded at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the directors' estimate of the useful economic life of 10 years. Where factors such as technological advancement, commercial factors or changes in market price, indicate that residual value or useful economic life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The carrying value of intangible assets is periodically reviewed for such events or changes in circumstances, which may indicate that the carrying value is not recoverable and provision for impairment made accordingly. See note 10 for further details.

Brand names, licences and trade marks

The normal expenses of maintaining brand names, licences and trademarks are charged against the Group's trading results as incurred.

Investment in subsidiary undertakings

Investment in subsidiary company is held at cost less accumulated impaired losses.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts.

Pension costs

The Employer operates a UK registered trust based pension scheme that provides defined benefits for some of its employees. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of pension scheme members:

- Deferred members: members who have defined benefits in the Scheme which are yet to commence; and
- Pensioner members: in receipt of pension.

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account.

Critical accounting judgments and estimation uncertainty

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

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

Trademarks valuation (note 10)

Intangible assets held represent purchased trademarks and are recorded at cost less accumulated amortisation. Intangible assets are reviewed each year to ensure that their carrying value is recoverable. In completing this assessment, management rely on estimates from other group entities. These estimates include the level of expected future sales of products covered by the trademarks held and estimated licence fees, as well as clinical trial expenses.

Defined benefit pension scheme (note 14)

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management rely on estimates from advisors when considering these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

4 Turnover

Turnover is attributable mainly to the sales of stock to Affiliates and Income from intellectual properties for Ethical and Over the Counter (OTC) pharmaceuticals.

Analysis of turnover by geography:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
United Kingdom	7,481,191	14,845,487
Rest of Europe	6,812,701	19,753,244
Rest of the world	584,134	180,141
	14,878,026	34,778,872

Analysis of turnover by category:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Sales of goods	-	26,832,091
Other income	14,878,026	7,946,781
	14,878,026	34,778,872

5 Operating profit

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
This is arrived at after charging / (crediting):		
Inventory recognised as an expense	-	23,226,849
Impairment of inventory (included in cost of sales)	-	1,005,954
Depreciation	45,724	47,136
Amortisation of intangible assets	1,923,065	2,011,200
Research and development expenditure	356,477	1,373,652
Loss/(profit) on foreign currency transactions	629,344	(340,518)
Auditors' remuneration:		
- audit services	24,675	42,100
Loss on disposal of intangible assets	424,200	-
Operating leases - plant and machinery	-	2,661
Operating leases - motor vehicles	-	3,075
Impairment of intangible fixed assets	438,400	-
(Profit) on disposal of licenses sold to Actavis UK Limited (note 19)	(1,068,000)	-

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

6 Employees and directors

The company has no employees (2015: none).

The directors did not receive any emoluments in respect of their services to the group (prior year: £nil). There were no other transactions with directors. The emoluments of the directors are paid by other group companies which make no recharges to the group. The directors are directors of a number of other group companies and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies.

There are no key management personnel in the group (2015: none), and therefore no disclosure has been made.

7 a. Net interest payable

Interest receivable and similar income	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Due from affiliate undertakings	47,746	76,725
Bank interest	1,014	1,541
	48,760	78,266
b. Interest payable and similar expenses		
Interest payable	£	£
Loans due to affiliate undertakings	(49,860)	(52,165)
Bank interest	-	(565)
Net interest expense on post-employment benefits	(51,000)	(95,000)
	(100,860)	(147,730)
c. Net interest payable		
Interest receivable and similar income	48,760	78,266
Interest payable and similar expenses	(100,860)	(147,730)
Net interest payable	(52,100)	(69,464)

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

8 Tax on profit

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<i>a. Tax expense included in profit or loss</i>		
Current tax:		
UK corporation tax on profits for the year	1,964,661	203,614
Group tax relief	-	898,221
Adjustments in respect of prior periods	(335,464)	237,935
Total current tax charge	1,629,197	1,339,770
Deferred tax:		
Timing differences	280,810	269,420
Adjustments in respect of prior periods	90,000	-
Total deferred tax	370,810	269,420
Tax on profit	2,000,007	1,609,190
<i>b. Tax income included in other comprehensive income</i>		
Deferred tax	351,560	46,440
Total tax income included in other comprehensive income	351,560	46,440
<i>c. Reconciliation of tax charge</i>		
Profit before taxation	11,303,579	7,097,978
Profit before taxation at the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	2,260,716	1,437,341
Effects of:		
Expenses not deductible for tax purposes	9,145	12,957
Adjustments in respect of prior periods	(245,464)	237,935
Movement on deferred tax not recognised	-	(123,891)
Re-measurement of deferred tax – change in UK tax rate	(24,390)	44,848
Total tax charge	2,000,007	1,609,190

Tax future changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020. The Finance Bill 2016 replaced the 18% rate with 17% and was substantively enacted on 15 September 2016. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in the financial statements.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

9 Tangible assets

Group & company	Furniture, fixtures and fittings £	Plant and machinery £	Total £
At 31 December 2015			
Cost	468,653	564,256	1,032,909
Accumulated depreciation	(468,653)	(320,487)	(789,140)
Net book amount	-	243,769	243,769
Year ended 31 December 2016			
Opening net book amount	-	243,769	243,769
Depreciation	-	(45,724)	(45,724)
Closing net book amount	-	198,045	198,045
At 31 December 2016			
Cost	468,653	564,256	1,032,909
Accumulated depreciation	(468,653)	(366,211)	(834,864)
Net book amount	-	198,045	198,045

10 Intangible assets

Group & company	Brand names licences & trademarks £
At 31 December 2015	
Cost	24,306,649
Accumulated amortisation	(14,045,805)
Net book amount	10,260,844
Year ended 31 December 2016	
Opening net book amount	10,260,844
Amortisation	(1,923,065)
Impairment	(438,400)
Disposal of intangible assets	(424,200)
Closing net book amount	7,475,179
At 31 December 2016	
Cost	23,326,649
Accumulated amortisation	(15,851,470)
Net book amount	7,475,179

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

11 Investments

Company

Subsidiaries and related companies

The following companies were incorporated in the UK and were dormant at 31 December 2016. The proportion of shares held is 100%.

<i>Subsidiary</i>	Unquoted shares at cost £
Pharmax Limited	
Cost and net book value at 31 December 2015 and 31 December 2016	100

The company holds 100% direct ownership of Pharmax Limited, a company incorporated in the United Kingdom. The registered address of Pharmax Limited is Ridings Point, Whistler Drive, Castleford, West Yorkshire WF10 5HX.

The company does not own any other related undertakings.

12 Debtors

Group & company	31 December 2016 £	31 December 2015 £
Amounts owed by group undertakings	21,092,249	14,043,807
Deferred tax asset	455,770	475,020
Taxation and social security	371,933	-
Prepayments and accrued income	-	730,407
	21,919,952	15,249,234

Deferred tax asset relate to pension benefits (2015: pension benefits).

Amounts owed by group undertakings include capital and interest receivable on unsecured loans, repayable on demand. Interest on these loans is charged at variable rates. Other amounts owed by group undertakings are interest free.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

13 Creditors: amounts falling due within one year

	31 December 2016		31 December 2015	
	Group £	Company £	Group £	Company £
Trade creditors	120,555	120,555	48,696	48,696
Amounts owed to Group undertakings	1,041,838	1,041,938	8,404,007	8,404,107
Corporation tax payable	2,731,033	2,731,033	203,614	203,614
Other taxation and social security	-	-	92,379	92,379
Accruals and deferred income	1,226,623	1,226,623	816,554	816,554
	5,120,049	5,120,149	9,565,250	9,565,350

Amounts owed to group undertakings include an unsecured loan on which interest is charged at the Inter-Bank Offered Rate plus 3.5%. Other amounts owed to group undertakings are interest free.

14 Pension scheme

The Group operates a defined benefit pension scheme for the majority of its employees who joined the scheme prior to 6 April 1993. Any new entrants to the Group's pension scheme between 6 April 1993 and 30 June 2010, joined a money purchase scheme. The assets of the scheme are held in a separate trustee administered fund. This scheme is now closed to new entrants and future benefit accrual.

At 31 December 2016, the scheme, which is contracted out of the state scheme, had assets of approximately £8.8m (31 December 2015: £6.7m). The group will pay a minimum of £1,704,000 per annum from July 2013 for 6 years in order to reduce the deficit in the scheme. A full actuarial valuation of the mixed benefits scheme was carried out at 30 June 2012 and updated at 31 December 2015 by a qualified independent actuary on an FRS 102 basis. The major assumptions used by the actuary were:

	31 December 2016	31 December 2015
Discount rate	2.6%	3.8%
RPI Inflation assumption	3.5%	3.4%
Revaluation of deferred pensions (non-GMP)	3.5%	3.4%
Pension increases: 5% or RPI if less (LPI)	3.2%	3.3%
Mortality rate tables	S2PA CMI_2014_M/F [1.25%] (yob)	S2PA CMI_2014_M/F [1.25%] (yob)

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

14 Pension scheme (continued)

Life expectancies (in years)

	31 December 2016		31 December 2015	
	Males	Females	Males	Females
For an individual aged 60 in 2016/2015	27.1	29.3	27.0	29.2
At age 60 for an individual aged 40 in 2016/2015	29.0	31.3	28.9	31.2

Reconciliation of Scheme's assets and defined benefit obligation

	Assets £	Defined Benefit Obligation £	Net position £
At 1 January 2016	6,677,000	(8,816,000)	(2,139,000)
Benefits paid	(250,000)	250,000	-
Employer contributions	1,706,000	-	1,706,000
Interest income / (cost)	279,000	(330,000)	(51,000)
Administrative costs paid	(129,000)	-	(129,000)
Re-measurement gains / (losses):			
- Actuarial (losses)	-	(2,594,000)	(2,594,000)
- Return on assets excluding interest income	526,000	-	526,000
At 31 December 2016	8,809,000	(11,490,000)	(2,681,000)

Net interest recognised as an expense, see note 7.

The fair value of the plan assets was:

Asset class	31 December 2016 £	31 December 2015 £
Equities	4,880,000	4,400,000
Property	18,000	45,000
Bonds	1,057,000	912,000
Cash	2,854,000	1,320,000
Total	8,809,000	6,677,000

The plans assets do not include any of the Group's financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Interest income	279,000	227,000
Return on assets excluding interest income	526,000	(9,000)
Total return on the assets	805,000	218,000

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

14 Pension scheme (continued)

Reconciliation to the statement of financial position (balance sheet)

	31 December 2016 £	31 December 2015 £
Market value of the assets	8,809,000	6,677,000
Present value of the define benefit obligation	(11,490,000)	(8,816,000)
Pension liability recognised in the financial position before allowance for deferred tax	(2,681,000)	(2,139,000)

15 Called up Share capital

Company	31 December 2016 £	31 December 2015 £
<i>Issued and fully paid</i>		
2,150 (2015: 2,150) Ordinary shares of 10p each	215	215
21,500 (2015: 21,500) Deferred shares of 10p each	2,150	2,150
12% (2015: 12%) non-cumulative redeemable preference shares of £1 each	532,573	532,573
Total called up share capital	534,938	534,938

Ordinary shareholders have 1,000 votes per share and the right to all profits after payment of the preference dividend. On a winding up, following payment to the Preference Shareholders, Ordinary Shareholders will receive £100 per share and the balance of any assets following payment to Deferred Shareholders.

Deferred Shareholders have one vote per share, no rights to share in the profits and on a winding up, repayment of the amount paid up following payment to the preference shareholders and £100 per Ordinary Share.

Preference Shareholders have one vote per share and in a winding up, surplus assets remaining after payment of liabilities shall first be applied to repaying the paid up amount on their shares. The shares were issued on 26 May 1978 and can be redeemed only at the Group's option. The Group must give three months written notice of redemption. The shares would be redeemed at par value.

16 Capital and other commitments

All motor vehicle lease commitments were transferred to Actavis UK Limited in January 2015. The Property rental was not renewed when it expired in May 2015. There are currently no other future commitments.

17 Related party transactions

The Group has taken advantage of the exemption allowed for Related Party Transactions (Section 33 of FRS 102) not to disclose any transactions or balances with group members. There was no other activity with related parties other than fellow group companies.

Forest Laboratories UK Limited

Notes to the financial statements for the year ended 31 December 2016

18 Ultimate controlling party

The immediate parent undertaking is Teva Pharma Holdings Limited, a company incorporated in the UK.

The ultimate parent undertaking of the company up until 2 August 2016 was Allergan Plc, a company registered in Republic of Ireland.

On 3 August 2016 Allergan Plc divested their international generics business to Teva Pharmaceutical Industries Limited.

As a result of the divestment the ultimate parent company and controlling party of Forest Laboratories UK Limited is now considered by the directors to be Teva Pharmaceutical Industries Limited.

As of 31 December 2016, the largest and smallest group into which the results of the company are consolidated is that headed by Teva Pharmaceutical Industries Limited, a company incorporated in Israel. Copies of Teva Pharmaceutical Industries Limited's financial statements can be obtained from 5 Basel St., Petach Tikva 49131, Israel.

19 Sale of assets

During the year the European Commission ruled that certain Marketing Authorisations which were held by Lime Pharma Limited had to be divested following the worldwide acquisition of Allergan Plc by Teva Pharmaceutical Industries Limited.

The Marketing Authorisations were sold for £1,068,000 to Actavis UK Limited during the year as per the ruling. These items have been categorized as other operating income (see note 5 for further details).