

COMPANY REGISTRATION NUMBER: 00482106

CP PHARMACEUTICALS LIMITED

Financial Statements

31 March 2016

CP PHARMACEUTICALS LIMITED

Financial Statements

Year ended 31 March 2016

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CP PHARMACEUTICALS LIMITED

Officers and Professional Advisers

THE BOARD OF DIRECTORS

S Singh
N Wynne

COMPANY SECRETARY

J P Higgins

REGISTERED OFFICE

Ash Road North
Wrexham Industrial Estate
Wrexham
LL13 9UF

AUDITOR

Menzies LLP
Chartered Accountants & statutory auditor
Lynton House
7 - 12 Tavistock Square
London
WC1H 9LT

BANKERS

National Westminster Bank Plc
33 Lord Street
Wrexham
LL11 1LP

SOLICITORS

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

CP PHARMACEUTICALS LIMITED

Strategic Report

Year ended 31 March 2016

Principal Activity

The principal activity of the Company is the manufacture and sale of pharmaceuticals. The Statement of Comprehensive Income for the year is set out on page 6.

Review of Business

The Company has committed to significant Capital Investment to provide increased capacity in the Steriles Manufacturing Unit, from current capacity of 15m units to an increased level of 42m units. As well as decreased unit costs, this will also provide a competitive edge to attract new Contract Business. The new equipment has been installed and will be operational by the beginning of November 2016. Further Capital Investment will increase both our Inspection and Packing capabilities.

The Contract element of the Business has continued to benefit from the termination of supply agreement with one of its major customers. Sales to this customer were £31m (2015:£49m) in the period and the relationship has now terminated. Late 2016 will see the impact of the latest technology equipment and increased manufacturing volumes significantly reducing costs per unit and thereby increasing the profitability of the Company. The Directors have great confidence in the strong growth prospects of the Company.

The key performance indicators of the Company are as follows:

	12 months to 31 Mar 2016	12 months to 31 Mar 2015
Turnover (£'000)	58,016	75,976
Gross Profit Ratio	79.7%	85.1%
Operating Profit Ratio	41.6%	60.4%
Profit Before Tax (£'000)	23,955	45,817
Gross Profit/Operating Costs (times)	2.09	3.45
Net Current Assets (£'000)	53,437	37,897
Net Worth (£'000)	68,435	49,665
Total Liabilities (£'000)	14,935	19,993
Total Liabilities Exc Pension Deficit (£'000)	12,007	16,476
Insolvency Ratio	458%	248%
Training Days	335	404
Tonnes Carbon Emissions	5,356	5,088
Employee Attrition	6.0%	4.2%

Principal Risks and Uncertainties

The Company has continued to efficiently manage its resources and maintain strong relationships with its customers and suppliers.

The performance of the Company is dependent on the cost effective management of operations. The Management Team reporting to the Directors monitor and regulate the costs of running the business which will lead to reduce the impact of cost increases in various areas of operations. The Directors have considered the risks facing the Company and continually address these in order to minimise any future impact.

As disclosed in Note 23 to the financial statements the Company has contingent liabilities but the Directors do not believe that any liability will arise.

Employees

The Company's policy is to consult and discuss with employees, through unions and at staff meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through briefings, reports and annual presentations. These seek to achieve a common awareness of the financial and economic factors affecting the Company's performance.

The Company is committed to a policy of treating all its employees and job applicants equally. None shall receive less favourable treatment or consideration on the grounds of race, colour, religion, nationality, ethnic origin, sex, disability, sexual orientation or marital status or shall be disadvantaged by any conditions of employment that cannot be justified as necessary on operational grounds.

The Company's Equal Opportunity Policy covers employment of disabled persons. Full and fair consideration is given to all applications for employment by the Company. Continued employment is encouraged for employees becoming disabled during service through training, adaptation of work practices and flexible working hours.

The Company is in full compliance of Statutory Legislation with regard to all of the above.

CP PHARMACEUTICALS LIMITED

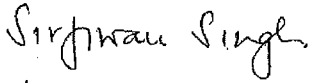
Strategic Report (continued)

Year ended 31 March 2016

Going Concern

The Company has undertaken detailed forecasting of revenues and expenditure for the period commencing April 2016 through to the period ended 30 April 2017 and is confident that it has sufficient financial resources to meet its requirements for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

This report was approved by the board of directors on 29/04/16 and signed on behalf of the board by:



S Singh
Director

Registered office:
Ash Road North
Wrexham Industrial Estate
Wrexham
LL13 9UF

CP PHARMACEUTICALS LIMITED

Directors' Report

Year ended 31 March 2016

The directors present their report and the financial statements of the company for the year ended 31 March 2016.

DIRECTORS

The directors who served the company during the year were as follows:

S Singh
N Wynne

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

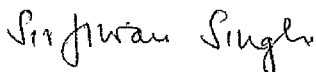
AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 29/04/16..... and signed on behalf of the board by:



S Singh
Director

Registered office:
Ash Road North
Wrexham Industrial Estate
Wrexham
LL13 9UF

CP PHARMACEUTICALS LIMITED

Independent Auditor's Report to the Shareholders of CP Pharmaceuticals Limited

Year ended 31 March 2016

We have audited the financial statements of CP Pharmaceuticals Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the directors responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

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

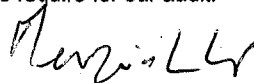
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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.



Philip King, FCA (Senior Statutory Auditor)

For and on behalf of
Menzies LLP
Chartered Accountants & statutory auditor

29/04/2016

Lynton House
7 - 12 Tavistock Square
London
WC1H 9LT

CP PHARMACEUTICALS LIMITED

Statement of Comprehensive Income

Year ended 31 March 2016

	Note	2016 £000	2015 £000
TURNOVER	3	58,016	75,976
Cost of sales		<u>11,793</u>	<u>11,342</u>
GROSS PROFIT		46,223	64,634
Administrative expenses		<u>22,114</u>	<u>18,709</u>
OPERATING PROFIT	4	24,109	45,925
Interest payable and similar charges	8	<u>154</u>	<u>108</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		23,955	45,817
Tax on profit on ordinary activities	9	<u>4,395</u>	<u>9,365</u>
PROFIT FOR THE FINANCIAL YEAR		19,560	36,452
Remeasurement of the net defined benefit plan		<u>(790)</u>	<u>(2,684)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,770	33,768

All the activities of the company are from continuing operations.

The notes on pages 9 to 20 form part of these financial statements.

CP PHARMACEUTICALS LIMITED

Statement of Financial Position

31 March 2016

	Note	2016 £000	2015 £000	2015 £000
FIXED ASSETS				
Tangible assets	10		18,363	15,559
CURRENT ASSETS				
Stocks	11	11,705		11,666
Debtors	12	24,137		21,787
Cash at bank and in hand		29,165		20,646
		65,007		54,099
CREDITORS: amounts falling due within one year	13	11,570		16,202
NET CURRENT ASSETS			53,437	37,897
TOTAL ASSETS LESS CURRENT LIABILITIES			71,800	53,456
CREDITORS: amounts falling due after more than one year	14		60	91
PROVISIONS				
Taxation including deferred tax	17		377	183
NET ASSETS EXCLUDING DEFINED BENEFIT PENSION PLAN LIABILITY			71,363	53,182
Defined benefit pension plan liability	18		2,928	3,517
NET ASSETS INCLUDING DEFINED BENEFIT PENSION PLAN LIABILITY			68,435	49,665
CAPITAL AND RESERVES				
Called up share capital	20		2,433	2,433
Other reserves	21		-	285
Profit and loss account	21		66,002	46,947
SHAREHOLDERS' FUNDS			68,435	49,665

These financial statements were approved by the board of directors and authorised for issue on 29/04/16, and are signed on behalf of the board by:

Sirjwan Singh

S Singh
Director

Company registration number: 00482106

The notes on pages 9 to 20 form part of these financial statements.

CP PHARMACEUTICALS LIMITED

Statement of Changes in Equity

Year ended 31 March 2016

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total £000
AT 1 APRIL 2014	2,433	494	12,889	15,816
Profit for the year			36,452	36,452
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan 18	—	—	(2,684)	(2,684)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	33,768	33,768
Equity-settled share-based payments	—	81	—	81
Exercise of options, rights and warrants	—	(290)	290	—
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	—	(209)	290	81
AT 31 MARCH 2015	2,433	285	46,947	49,665
Profit for the year			19,560	19,560
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan 18	—	—	(790)	(790)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	18,770	18,770
Exercise of options, rights and warrants	—	(285)	285	—
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	—	(285)	285	—
AT 31 MARCH 2016	<u>2,433</u>	<u>—</u>	<u>66,002</u>	<u>68,435</u>

The notes on pages 9 to 20 form part of these financial statements.

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements

Year ended 31 March 2016

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

CP Pharmaceuticals Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The principal activities of the company and the nature of its operations are set out in the strategic report on page 2.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are presented in pound sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS102 as at 1 April 2014. Details of how FRS 102 affect the reported financial position and financial performance is given in note 26.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Wockhardt Limited which can be obtained from Wockhardt Limited, Wockhardt Towers, Bandra Kurla Complex, (Bandra East), Mumbai 400051, Maharashtra, India. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

Changes in accounting policies

There have been no changes in accountancy policies as a result of the transition from the previous UK GAAP to FRS 102.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Revenue recognition

In the recognition of revenue in accordance with the accounting policy the management consider the detailed criteria for the revenue recognition from the sale of goods and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods.

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

2. ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of trade receivables

The management include impairment provisions for any potential irrecoverable trade receivables which are estimated based on the age of the trade receivables and provide fully against any known irrecoverable amounts.

Revenue recognition

Turnover represents the invoiced value of goods and services supplied, and is recorded net of trade discounts. Turnover is recognised when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled. Value added tax is excluded from turnover.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at purchase cost, together with any incidental expenses of acquisition including applicable interest and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset. Capital work in progress (Capital WIP) is not depreciated. The remaining classes of fixed assets are depreciated as follows:

Freehold property (freehold land is not depreciated)	-	10-50 years straight line
Sterile facility	-	4-25 years straight line
Plant and machinery	-	4-10 years straight line
Fixtures and fittings*	-	4-8 years straight line
Motor vehicles*	-	2-4 years straight line
Computer equipment*	-	2-5 years straight line

*Disclosed under "Fixture, fittings and equipment" in the Notes to the Financial Statements.

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31 March 2016

2. ACCOUNTING POLICIES *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Stock is turned around on a first out basis whilst the cost of stock is valued at moving weighted average price. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Defined benefit plans

The company recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Plan surpluses are recognised as a defined benefit asset only to the extent that the surplus is recoverable either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit asset or liability arising from employee service are recognised in profit or loss as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in profit or loss in the period in which they occur.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss.

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

2. ACCOUNTING POLICIES (continued)

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Share-based payments

The Company measures compensation cost relating to employee stock options using the intrinsic value method, in line with the accounting policy of the ultimate parent. The Company has concluded that the Black-Scholes model of valuing the share options does not result in a materiality different expense. Compensation expense, if any, is written off over the vesting period of the option on a straight line basis.

3. TURNOVER

Turnover arises from:

	2016 £000	2015 £000
Sale of goods	<u>58,016</u>	<u>75,976</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2016 £000	2015 £000
United Kingdom	419	1,615
USA	31,691	49,928
Europe	<u>25,906</u>	<u>24,433</u>
	<u>58,016</u>	<u>75,976</u>

4. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible assets	1,383	1,398
Gains on disposal of tangible assets	(1)	-
Equity-settled share-based payments expense	-	81
Defined contribution plans expense	568	533
Defined benefit plans expense	122	159
Operating lease charges	<u>127</u>	<u>122</u>

5. AUDITOR'S REMUNERATION

	2016 £000	2015 £000
Fees payable for the audit of the financial statements	<u>21</u>	<u>21</u>
Fees payable to the company's auditor and its associates for other services:		
Audit-related assurance services	12	12
Taxation advisory services	3	33
	<u>15</u>	<u>45</u>

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

6. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016 No	2015 No
Production staff	250	239
Distribution staff	3	3
Administrative staff	46	46
	<u>299</u>	<u>288</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £000	2015 £000
Wages and salaries	9,514	9,369
Social security costs	1,096	999
Other pension costs	568	533
	<u>11,178</u>	<u>10,901</u>

7. DIRECTORS REMUNERATION

The directors aggregate remuneration in respect of qualifying services was:

	2016 £000	2015 £000
Remuneration	423	431
Company contributions to defined contribution pension plans	27	36
	<u>450</u>	<u>467</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016 No	2015 No
Defined contribution plans	<u>2</u>	<u>2</u>

The number of directors who exercised share options and received shares under a long term incentive scheme during the year was as follows:

	2016 No	2015 No
Directors who exercised share options	<u>1</u>	<u>1</u>

Remuneration of the highest paid director in respect of qualifying services:

	2016 £000	2015 £000
Aggregate remuneration	289	307
Company contributions to defined contribution pension plans	20	29
	<u>309</u>	<u>336</u>

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Interest on banks loans and overdrafts	2	5
Interest on obligations under finance leases and hire purchase contracts	4	6
Net finance costs in respect of defined benefit pension plans	122	97
Other interest payable and similar charges	26	—
	<u>154</u>	<u>108</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

Major components of tax expense

	2016 £000	2015 £000
Current tax:		
UK current tax expense	4,229	9,288
Adjustments in respect of prior periods	(28)	—
Total current tax	<u>4,201</u>	<u>9,288</u>
Deferred tax:		
Origination and reversal of timing differences	194	77
Tax on profit on ordinary activities	<u>4,395</u>	<u>9,365</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 21%).

	2016 £000	2015 £000
Profit on ordinary activities before taxation	<u>23,955</u>	<u>45,817</u>
Profit on ordinary activities by rate of tax	4,791	9,622
Adjustment to tax charge in respect of prior periods	(28)	—
Effect of expenses not deductible for tax purposes	(24)	5
Effect of capital allowances and depreciation	49	(2)
Other tax adjustments	(393)	(260)
Tax on profit on ordinary activities	<u>4,395</u>	<u>9,365</u>

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

10. TANGIBLE ASSETS

	Land and Buildings £000	Capital WIP £000	Sterile facility £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost						
At 1 Apr 2015	3,716	7,157	9,712	15,156	3,381	39,122
Additions	–	3,670	–	251	266	4,187
Disposals	–	–	–	–	(9)	(9)
Revaluations	–	(298)	–	–	298	–
At 31 Mar 2016	3,716	10,529	9,712	15,407	3,936	43,300
Depreciation						
At 1 Apr 2015	3,433	–	6,361	11,465	2,304	23,563
Charge for the year	7	–	309	748	319	1,383
Disposals	–	–	–	–	(9)	(9)
At 31 Mar 2016	3,440	–	6,670	12,213	2,614	24,937
Carrying amount						
At 31 Mar 2016	276	10,529	3,042	3,194	1,322	18,363
At 31 Mar 2015	283	7,157	3,351	3,691	1,077	15,559

Depreciation charged on assets under hire purchase (HP) was £22k (2015: £17k). The net book value of tangible fixed assets includes an amount of £113k (2015: £135k) in respect of assets held under HP contracts.

11. STOCKS

	2016 £000	2015 £000
Raw materials and consumables	8,248	8,590
Work in progress	1,344	1,306
Finished goods and goods for resale	2,113	1,770
	11,705	11,666

The amount of stock recognised as an expense during the period was £11,793k (2015: £11,342k).

12. DEBTORS

	2016 £000	2015 £000
Trade debtors	21,522	11,987
Amounts owed by group undertakings	1,522	9,166
Prepayments and accrued income	245	183
Other debtors	848	451
	24,137	21,787

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

13. CREDITORS: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	2,224	1,758
Amounts owed to group undertakings	4,096	2,882
Accruals and deferred income	917	1,294
Corporation tax	3,943	9,012
Social security and other taxes	267	1,225
Obligations under finance leases and hire purchase contracts	31	30
Other creditors	92	1
	<u>11,570</u>	<u>16,202</u>

14. CREDITORS: amounts falling due after more than one year

	2016 £000	2015 £000
Obligations under finance leases and hire purchase contracts	<u>60</u>	<u>91</u>

15. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2016 £000	2015 £000
Not later than 1 year	31	30
Later than 1 year and not later than 5 years	60	91
	<u>91</u>	<u>121</u>

16. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	2016 £000	2015 £000
Included in provisions (note 17)	<u>377</u>	<u>183</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £000	2015 £000
Accelerated capital allowances	395	240
Other timing differences	(18)	(57)
	<u>377</u>	<u>183</u>

17. PROVISIONS

	Deferred tax (note 16) £000
At 1 April 2015	183
Increase in provision charged in the year	194
At 31 March 2016	<u>377</u>

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

18. EMPLOYEE BENEFITS

Defined contribution plans

During the 12 month period, the company operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £568k (2015: £532k). The outstanding pensions creditor at 31 Mar 2016 of £92k (2015: £2k) is shown within other creditors.

Defined benefit plans

The company operates a funded defined pension scheme. The assets of the scheme are held separately from those of the company.

The scheme closed to new entrants at the end of February 2004 and all pension accruals ceased on that date. The current service costs will increase as members approach retirement.

An actuarial valuation to 31 March 2015 was carried out by Capita, consulting actuaries on 7 April 2016. The major assumptions are included in this note.

The statement of financial position net defined benefit liability is determined as follows:

	2016 £000	2015 £000
Present value of defined benefit obligations	(35,630)	(37,004)
Fair value of plan assets	31,924	32,552
	(3,706)	(4,452)
Other assets/(liabilities) recognised	778	935
	<u>(2,928)</u>	<u>(3,517)</u>

Changes in the present value of the defined benefit obligations are as follows:

	2016 £000
At 1 April 2015	37,004
Interest expense	1,212
Benefits paid	(525)
Remeasurements:	
Actuarial gains and losses	(2,061)
At 31 March 2016	<u>35,630</u>

Changes in the fair value of plan assets are as follows:

	2016 £000
At 1 April 2015	32,552
Interest income	1,090
Benefits paid	(525)
Contributions by employer	1,501
Remeasurements:	
Actuarial gains and losses	(2,694)
At 31 March 2016	<u>31,924</u>

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

18. EMPLOYEE BENEFITS (continued)

The total costs for the year in relation to defined benefit plans are as follows:

	2016 £000	2015 £000
Recognised in profit or loss:		
Current service credit	-	62
Net interest expense	122	97
	<u>122</u>	<u>159</u>
Recognised in other comprehensive income:		
Movement on deferred tax relating to net pension liability	157	(278)
Remeasurement of the liability:		
Actuarial gains and losses	633	2,962
	<u>790</u>	<u>2,684</u>

The fair value of the major categories of plan assets are as follows:

	2016 %	2015 %
Equity instruments	47.80	73.30
Debt instruments	9.40	13.40
Other assets	11.30	13.30
Annuity policy	31.50	-

The return on plan assets are as follows:

	2016 £000	2015 £000
Return on assets of benefit plan	(1,604)	3,509

The principal actuarial assumptions as at the statement of financial position date were:

	2016 %	2015 %
Discount rate	3.45	3.30
Expected rate of increase in pensions	3.05	2.25
Inflation assumption	2.10	3.15
Mortality rates:		
Current pensioners at 65 - male	22.40	22.30
Current pensioners at 65 - female	24.50	24.40
Future pensioners at 65 - male	23.70	23.60
Future pensioners at 65 - female	26.00	25.90

19. SHARE-BASED PAYMENTS

The Compensation Committee of the Board of Directors of the ultimate parent company, Wockhardt Limited, at its meeting held on November 12, 2011 approved the Grant of 1,540,000 Stock Options convertible into 1,540,000 equity shares of INR 5/- each under Wockhardt Stock Option Scheme - 2011 ('the Scheme'). This scheme covered employees and directors across the group, including one director of CP Pharmaceuticals Limited. In line with FRS102 the proportion relating to employees who services are provided to the subsidiary, CP Pharmaceuticals Limited has been recognised in these financial statements.

The Profit and Loss Account charge for the year recognised in respect of share-based payments is £Nil (2015: £81k), which are made up of share option schemes which will all be settled in equity.

In relation to the director of CP Pharmaceuticals Limited the Compensation committee of Wockhardt Limited has granted 15,000 options @ INR 397/- per option (Grant 1), another 15,000 options @ INR 365/- per option (Grant 2), and 125,000 options @ INR 5/- per option (Grant 3), in accordance with the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements (continued)

Year ended 31 March 2016

20. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2016		2015	
	No	£000	No	£000
Ordinary shares of £1 each	570,000	570	570,000	570
Ordinary Class A shares of £1 each	1,862,549	1,863	1,862,549	1,863
	<u>2,432,549</u>	<u>2,433</u>	<u>2,432,549</u>	<u>2,433</u>

21. RESERVES

Share option reserve - This reserve records the value received in relation to the issue of share options.

Profit and loss account - This reserve records retained earnings and accumulated losses.

22. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2016	2015
	£000	£000
Tangible assets	<u>800</u>	<u>1,789</u>

23. CONTINGENCIES

On the 15 September 2015 a customer brought a claim against the company relating to a commercial dispute over a contract. A court date is set for February 2017. It is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings.

The company does not believe that information about the amount sought by the claimant would be meaningful with respect to the legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

The Company, together with Wockhardt UK Limited, Wockhardt UK Holdings Limited, Pinewood Healthcare Limited and Wallis Group Limited and its subsidiaries, have an unlimited cross-charge to secure the Group borrowings. As at 31 March 2016 this amounted to £12,012k (2015: £11,144k).

24. RELATED PARTY TRANSACTIONS

The company is exempt under FRS 102 paragraph 33.1A from disclosing related party transactions with entities that are part of the Wockhardt Bio AG group. Transactions and balances with other group companies within the Wockhardt Limited group are as follows:

As at 31 March 2016, the balance receivable from Wockhardt Limited by CP Pharmaceuticals Limited was £1,503k (2015: £1,830k).

As at 31 March 2016, the balance payable to Wockhardt UK Holdings Limited by CP Pharmaceuticals Limited was £325k (2015: receivable £2,675k).

As at 31 March 2016, the balance payable to Wallis Licensing Limited by CP Pharmaceuticals Limited was £2,882k (2015: £2,882k).

CP PHARMACEUTICALS LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31 March 2016

25. INFORMATION ABOUT PARENT UNDERTAKINGS AND CONTROLLING PARTY

Due to corporate restructuring, ownership of CP Pharmaceuticals Limited, was transferred from Wockhardt UK Holdings Limited to Wockhardt Bio AG, a fellow subsidiary company of Wockhardt Limited, with effect from 1 April 2015.

The immediate parent company is Wockhardt Bio AG, a company incorporated in Switzerland. The results of the Company are included in the Wockhardt Bio AG consolidated financial statements, and this is the smallest group for which group accounts are drawn up. Group accounts are available to the public and can be obtained from:

Wockhardt Bio AG
Grafenauweg 6
6300 Zug
Switzerland

www.wockhardtbio.com/media/news.html

The ultimate parent company is Wockhardt Limited, a company incorporated in India. The results of the Company are included in the Wockhardt Limited consolidated financial statements, and this is the largest group for which group accounts are drawn up. Group accounts are available to the public and can be obtained from:

Wockhardt Limited
Wockhardt Towers
Bandra Kurla Complex, Bandra (East)
Mumbai 400051
Maharashtra, India

www.wockhardt.com/investor-connect/annual-reports.aspx

The ultimate controlling party is H F Khorakiwala and family. H F Khorakiwala is chairman of Wockhardt Limited.

26. TRANSITION TO FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 April 2014. Details of transitional adjustments are noted below.

Defined benefit scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to debit the profit and loss account in the year to 31 March 2015 by £500,000 (with the net interest income previously reported of £403,000 changing to a net interest expense of £97,000) and increase the credit in other comprehensive income by an equivalent amount.