Financial statements

We deliver accurate, high-quality and timely information to all stakeholders with the utmost integrity and efficiency.

In this section

Independent auditors' report to the members of Hikma Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hikma Pharmaceuticals PLC'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 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company balance sheets as at 31 December 2021; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

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

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of four components, specified procedures on specific financial statement line items of one additional component, central audit procedures on specific financial statement line items of two components and audit procedures performed centrally over specific material balances at locations around the Group. Full scope components account for 72% of consolidated revenue, 73% of the adjusted profit measure we use as a basis for determining materiality and 79% of consolidated total assets.
- This year we have also specifically set out our consideration of the impact of climate change on the audit which is further explained below. As explained in the Sustainability Report, the Group is clearly mindful of its impact on the environment and is focussed on ways to reduce climate related impacts. In planning and executing our audit we have considered the Group's risk assessment process and this, together with discussions with our own sustainability specialists, provided us with a good understanding of the potential impact of climate change on the financial statements. Based on this, we understand that the key impact to the Group could be a potential increase in input costs for energy intensive supplies like APIs and packaging materials due to carbon pricing. This would most likely impact the financial statement line items and estimates associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term. The key areas impacted include valuation of goodwill and intangible assets and recoverability of the Group's deferred tax assets. We note that management's assessment is that the impact on Hikma is immaterial, nevertheless, while auditing the estimates associated with the forecasts, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the cash flows. We have not identified any matters as part of this work which contradict the disclosures in the Annual Report or lead to any material adjustments to the financial statements.

Key audit matters

- Valuation of goodwill and intangible assets (Group)
- Valuation and accuracy of gross to net rebate and return adjustments in the US (Group)
- Reorganisation of holding companies under Hikma Pharmaceuticals PLC (Company)

Materiality

- Overall Group materiality: $25 million (2020: $24 million) based on approximately 5% of profit before tax after adjusting for all exceptional items and other adjustments except for amortisation of intangible assets other than software.
- Overall Company materiality: $21.6 million (2020: $21.6 million) based on 1% of total assets, capped based on overall Group materiality.
- Performance materiality: $18.75 million (2020: $18 million) (Group) and $16.2 million (2020: $16.2 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

'Reorganisation of holding companies under Hikma Pharmaceuticals PLC' is a new key audit matter this year. 'Tax including completeness and valuation of provisions for uncertain tax positions' and 'Impact of COVID-19', which were key audit matters last year, are no longer included because of the reduced level of judgement in respect of uncertain tax positions following simplification of Hikma's tax structure in 2019 and further clarity on the treatment of certain tax matters; and due to the insignificant impact of COVID-19 on business performance and control environment, and the audit process due to well established ways of remote working. Otherwise, the key audit matters below are consistent with last year.

Valuation of goodwill and intangible assets (Group)

Key audit matter	How our audit addressed the key audit matter
At 31 December 2021, the Group had goodwill of $285 million (31 December 2020: $289 million) and intangible assets of $607 million (31 December 2020: $587 million) comprising product-related intangible assets, software and other identified intangible assets such as marketing rights, customer relationships and trademarks. These are contained within four cash generating units (CGUs): Generics, Generic Advair Diskus®, Branded and Injectables. All CGUs containing goodwill and indefinite-lived intangible assets must be tested for impairment annually and finite-life intangible assets are tested when there is an indication of impairment. An impairment is booked when the carrying value exceeds the recoverable amount. Judgement is required in assessing whether an impairment trigger event has happened and there is significant estimation uncertainty in respect of calculating the recoverable value of CGUs and assets to determine whether an impairment charge should be booked. Impairment was determined to be a significant risk for the Generics, Generic Advair Diskus® and Branded CGUs. Additionally, the Group must consider whether there are indicators of impairment reversal at each reporting date. Such indicators are usually the opposite of the indicators of impairment that previously gave rise to the impairment and there is judgement involved in assessing the existence of these impairment reversal indicators. Once indicators for impairment reversal are identified, the determination of recoverable values requires significant estimation on the part of management in determining the higher of the value in use (VIU) and fair value less costs to dispose (FVLCTD) for the relevant individual assets or CGUs. These reversal considerations are relevant to the Generics and Generic Advair Diskus® CGUs in particular due to the impairment recorded in 2017 in relation to these CGUs. During 2021, no impairment has been recorded on a CGU level. Impairment of $23 million was recorded in respect of product related intangibles; a further impairment of $1 million was recorded in respect of other intangible assets. An impairment reversal of $60 million has been recorded on individual marketed product related intangibles, including $46 million in respect of Generic Advair Diskus®. Refer to the Audit Committee review of areas of significant judgement on pages 84-85, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3) and goodwill and other intangible assets (note 16) in the Group financial statements.	We assessed the determination of the CGUs identified for the impairment calculation by considering the CGUs previously used as well as from our understanding of the business as it develops and how it is monitored. We conclude that management's determination of four CGUs in 2021 is reasonable. With support from our internal valuations experts we performed the following procedures: – Understood management's process for forecasting cash flows; – Evaluated the appropriateness of the methodology used in the relevant impairment models; – Tested the completeness and accuracy of the models as well as the underlying data used in the models, including reconciling the cash flows to the Board approved plan (which includes the impact of COVID-19 and climate change impact considerations); – Evaluated the significant assumptions used by management in determining future cash flows, including cash flow growth or decline, pricing and profitability, timing and probability of regulatory success for key products; – Our internal valuations experts assessed the reasonableness of the valuation methodology, discount rates, long term growth rate and mathematical accuracy; – We also compared management forecasts to analyst consensus cash flows for the Generics, Injectables and Branded businesses and the Generic Advair Diskus® CGU and challenged management where there were significant differences; – Performed a retrospective comparison of forecasted revenues and costs to actual past performance including challenging management to produce additional analysis on a constant currency basis; and – For the Generic Advair Diskus® CGU and intangible asset valuation, we challenged management's weighting of scenarios within the valuation model based on the expected impact of competition and regulatory updates. Based on our work we determined our own sensitivities and applied these to management's models for each of the four CGUs. We found management's conclusions on the CGUs and indefinite-lived intangible asset impairment assessments to be reasonable, although the headroom on the Generic Advair Diskus® CGU is more sensitive to the key assumptions around growth and discount rates. Additional disclosures have been included by management in accordance with IAS 36. We conclude the analyses performed and disclosed in note 16 of the Group financial statements are reasonable. We also validated the appropriateness of the related disclosures in notes 2 and 3 of the Group financial statements. We also tested management's impairment indicators assessment for finite life intangible assets and found this to be reasonable. For impairment reversal considerations, we audited management's assessment of impairment reversal indicators both at the CGU level (Generics and Generic Advair Diskus®) and at the individual intangible asset level taking into account the conditions in the US generics market and factors relating to Generic Advair Diskus® and consulted with our internal technical accounting experts on the accounting judgements involved. Where indicators for impairment reversal were identified, we tested management's cash flow models for recoverable value in line with our testing over the CGU level models and agreed the cash flows to the Board approved business plan. Based on our procedures, we concluded it was appropriate to reverse $60 million of impairment on specific marketed products which showed discrete and sustained recovery in performance. We consider management's position on not reversing impairment of the Generics CGU to be reasonable based on key judgements disclosed in note 3 to the Group financial statements.

Valuation and accuracy of gross to net rebate and return adjustments in the US (Group)

Key audit matter	How our audit addressed the key audit matter
Management is required to make estimates in respect of revenue recognition and specifically, the level of returns and indirect rebates that will be realised against the Group's revenue. These estimates are complex, material to the financial statements and require significant estimation by Directors to establish an appropriate provision, hence the reason for inclusion as an area of focus. The significant estimates relate to revenue recognition through indirect rebates and returns in the US for which the Group recorded revenue deductions for the year ended 31 December 2021 of $211 million (2020: $174 million). Chargebacks and direct rebates are no longer considered a significant risk due to the lower level of estimation compared to the other categories of provision and to the limited number of misstatements in previous years on this category. The Directors have determined a provision of $196 million to be necessary at 31 December 2021 (2020: $154 million) in respect of indirect rebates and returns. Refer to the Audit Committee review of areas of significant judgement on pages 84-85, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), trade and other receivables (note 21) and other current liabilities (note 27) in the Group financial statements.	Working alongside our US component team, we considered the Group's processes for making judgements in this area and performed the following procedures: – Assessed the revenue recognition policy and tested the operating effectiveness of certain applicable controls in place around this process; – Tested returns, and rebates payments and credit memos throughout the year by agreeing selected transactions back to the underlying source documentation including customer claims and payment information; – Performed analytical procedures over channel inventory for major wholesalers for which data was obtained from a third party service provider; – Developed an independent expectation or tested management's process for the largest elements of the provisions as at 31 December 2021 using assumptions and inputs based on contracted prices and rebate terms, historical rebates, discounts, validated channel inventory levels, and invoices received or payments made, as applicable, subsequent to year-end to validate the provisions. We compared this expectation to the actual provision recognised by the Group; and – Considered the historical accuracy of the Group's estimates in previous years and the effect of any adjustments to prior years' provisions in the current year's results. Based on the procedures performed, we did not identify any material differences between our independent expectations and the provisions recorded. We also evaluated the disclosures in note 2, note 3, note 21 and note 27 of the Group financial statements which we considered appropriate.

Reorganisation of holding companies under Hikma Pharmaceuticals PLC (Company)

Key audit matter	How our audit addressed the key audit matter
In the current year, the holding company structure under Hikma Pharmaceuticals PLC was simplified by liquidating two downstream holding companies and transferring the net assets up to the Company by way of a dividend of $2,179 million primarily via a non-cash intercompany transfer. Following this, the Company wrote down its investment in the intermediate holding subsidiary by $2,222 million. The net impact of the restructuring on the Company was a loss of $43 million with an equivalent decrease in distributable reserves. Refer to investment in subsidiaries (note 4) and profit for the year (note 12) in the Company financial statements.	We inspected the Board minutes for the subsidiaries being liquidated to confirm that the members have resolved to liquidate the companies. We also inspected the Board minutes for the subsidiary paying the dividend to confirm the dividend was appropriately approved. We understood the transaction that was being undertaken and confirmed the treatment was in accordance with the accounting policies and accounting standards. We also verified the journal entries for the liquidation and the dividend payment. We agree with management's write-down of the Company's investment in the intermediate holding company following the Company's receipt of the net assets of the underlying holdings as a dividend, as this represents a valid trigger for impairment. In addition to auditing the accounting entries, we considered the impact on distributable reserves with support from our internal experts to help us validate the impact of the restructuring on the distributable reserves of Company. We did not identify any issues in this regard. Based on the procedures performed we did not identify any material adjustments from the reorganisation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Procedures were performed prior to year-end to evaluate component auditor procedures and controls, and oversight discussions were undertaken by senior team members with component auditors, to refine the audit approach and ensure sufficient oversight of component auditors. As at 31 December 2021, Hikma Pharmaceuticals PLC had in total 57 subsidiaries and one joint venture as part of the Group. These entities may operate solely in one segment but more commonly operate across two. Each territory (component) submits a Group reporting package to Hikma's central accounting team including its income statement and balance sheet prepared under Group accounting policies which are in compliance with IFRSs. We requested component teams in the US (Hikma USA), Jordan (Hikma Jordan) and Algeria (Hikma Algeria) to audit reporting packages of certain entities in these territories and report the results of their full scope audit work to us. This work was supplemented by a full scope audit of Hikma Pharmaceuticals PLC carried out by the Group engagement team. We also requested our component team in Portugal to perform specified procedures over specific balances in Hikma Portugal. Additionally, procedures were carried out by the Group audit team over specific balances in Hikma International Ventures Limited and Hikma International Pharmaceuticals; and, other procedures were performed centrally on the consolidation, taxation and specific material balances not covered by component auditors. Due to travel restrictions as a result of COVID-19, we have not been able to perform component oversight visits. Nevertheless, we have accordingly increased the frequency of communication with our component teams through conference calls at the planning, execution and completion stages including increasing the involvement from senior team members from both sides. We have attended meetings with local management alongside our component auditors, reviewed selected working papers for all financially significant and material components, attended component audit clearance meetings as part of the interim and year end audit work, and performed other forms of oversight as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. Full scope components account for 72% of consolidated revenue, 79% of consolidated total assets and 73% of the adjusted profit measure we used as a basis for determining materiality.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	$25 million (2020: $24 million).	$21.6 million (2020: $21.6 million).
How we determined it	Approximately 5% of profit before tax after adjusting for all exceptional items and other adjustments except for amortisation of intangible assets other than software	1% of total assets, but capped at $21.6 million based on overall Group materiality
Rationale for benchmark applied	The Group's principal measure of earnings is core profit. Management believes that it reflects the underlying performance of the Group and is a more meaningful measure of the Group's performance. We took the equivalent reported measure into account in determining our materiality but did not add back certain non-core items unless we deemed them to be non-recurring in nature. Our materiality would have been higher if we had adjusted for all non-core items.	The Company holds the Group's investments and performs treasury functions on behalf of the Group. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary focus for the Company is the payment of dividends and servicing of debt.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $5 million and $21.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to $18.75 million (2020: $18 million) for the Group financial statements and $16.2 million (2020: $16.2 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors–the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls–and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.2 million (Group audit) (2020: $1.2 million) and $1.2 million (Company audit) (2020: $1.075 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to Board approved forecasts, assessing how these forecasts are compiled, and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within management's forecasts;
- considering liquidity and available financial resources;
- considering compliance with covenants in the current year and ability to comply with these at each future covenant reporting date in the going concern period;
- assessing whether the plausible downside scenario prepared by management appropriately considered the principal risks facing the business; and
- evaluating the feasibility of management's mitigating actions in the plausible downside scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Annual report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, product safety (including but not limited to the United States Food and Drug Administration regulations), competition and antitrust laws, pricing practices and legislation, tax legislation, and anti-bribery and corruption legislation (including but not limited to the Foreign Corrupt Practices Act), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Listing Rules of the Financial Conduct Authority (FCA). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management and the Group's legal counsels, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing hotline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates particularly in relation to estimation of rebate and return provisions and valuation of intangible assets (see related key audit matters above); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, journals posted and reviewed by the same individual and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2016 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Darryl Phillips
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
23 February 2022

Consolidated income statement

For the year ended 31 December 2021

	Note	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Revenue	4	**2,553**	**–**	**2,553**	2,341	–	2,341
Cost of sales		**(1,252)**	**–**	**(1,252)**	(1,128)	(12)	(1,140)
Gross profit/(loss)		**1,301**	**–**	**1,301**	1,213	(12)	1,201
Selling, general and administrative expenses		**(488)**	**(73)**	**(561)**	(464)	(45)	(509)
Net impairment loss on financial assets		**–**	**–**	**–**	(2)	–	(2)
Research and development expenses		**(143)**	**–**	**(143)**	(137)	–	(137)
Other operating expenses	9	**(40)**	**(37)**	**(77)**	(47)	(7)	(54)
Other operating income	9	**2**	**60**	**62**	3	77	80
Total operating (expenses)/income		**(669)**	**(50)**	**(719)**	(647)	25	(622)
Operating profit/(loss)	5	**632**	**(50)**	**582**	566	13	579
Finance income	10	**1**	**29**	**30**	9	38	47
Finance expense	11	**(56)**	**(13)**	**(69)**	(54)	(15)	(69)
Gain from investment at fair value through profit and loss (FVTPL)		**–**	**–**	**–**	1	–	1
Results from joint venture		**1**	**–**	**1**	–	–	–
Profit/(loss) before tax		**578**	**(34)**	**544**	522	36	558
Tax	12	**(129)**	**5**	**(124)**	(115)	(13)	(128)
Profit/(loss) for the year		**449**	**(29)**	**420**	407	23	430
Attributable to:							
Non-controlling interests	32	**(1)**	**–**	**(1)**	(1)	–	(1)
Equity holders of the parent		**450**	**(29)**	**421**	408	23	431
		449	**(29)**	**420**	407	23	430
Earnings per share (cents)							
Basic	15	**194.8**		**182.3**	172.9		182.6
Diluted	15	**193.1**		**180.7**	171.4		181.1

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 Reported results $m	2020 Reported results $m
Profit for the year		**420**	430
Other comprehensive income			
Items that may subsequently be reclassified to the consolidated income statement, net of tax:			
Currency translation and hyperinflation movement		**(22)**	39
Items that will not subsequently be reclassified to the consolidated income statement, net of tax:			
Remeasurement of post-employment benefit obligations	26	**(1)**	(1)
Change in investments at fair value through other comprehensive income (FVTOCI)	19	**14**	2
Total other comprehensive income for the year		**(9)**	40
Total comprehensive income for the year		**411**	470
Attributable to:			
Non-controlling interests		**2**	2
Equity holders of the parent		**409**	468
		411	470

Consolidated balance sheet

At 31 December 2021

	Note	2021 $m	2020 (restated)[1] $m
Non-current assets			
Goodwill	16	**285**	289
Other intangible assets	16	**607**	587
Property, plant and equipment	17	**1,072**	1,009
Right-of-use assets	33	**74**	59
Investments in joint ventures	18	**10**	9
Deferred tax assets	13	**183**	221
Financial and other non-current assets	19	**47**	39
		2,278	2,213
Current assets			
Inventories	20	**695**	757
Income tax receivable		**60**	36
Trade and other receivables[1]	21	**816**	700
Collateralised and restricted cash		**–**	4
Cash and cash equivalents	22	**426**	323
Other current assets[1]	23	**97**	102
		2,094	1,922
Total assets		**4,372**	4,135
Current liabilities			
Short-term financial debts	24	**112**	158
Lease liabilities	33	**9**	10
Trade and other payables	25	**468**	470
Income tax payable		**57**	72
Other provisions	26	**31**	28
Other current liabilities	27	**339**	290
		1,016	1,028
Net current assets		**1,078**	894
Non-current liabilities			
Long-term financial debts	28	**651**	692
Lease liabilities	33	**74**	72
Deferred tax liabilities	13	**24**	31
Other non-current liabilities	30	**140**	164
		889	959
Total liabilities		**1,905**	1,987
Net assets		**2,467**	2,148
Equity			
Share capital	31	**42**	41
Share premium		**282**	282
Other reserves		**(60)**	(80)
Retained earnings		**2,189**	1,892
Equity attributable to equity holders of the parent		**2,453**	2,135
Non-controlling interests	32	**14**	13
Total equity		**2,467**	2,148

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence at 31 December 2020 numbers have been restated reflecting $56 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $49 million. (see Notes 21 and 23)

The consolidated financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 124 to 179 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Said Darwazah
Executive Chairman
23 February 2022

Sigurdur Olafsson
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Merger and revaluation reserves[1] $m	Translation reserve $m	Total other reserves $m	Retained earnings $m	Share capital $m	Share premium $m	Equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2020	57	(235)	**(178)**	1,972	41	282	**2,117**	12	**2,129**
Profit for the year[2]	62	–	**62**	369	–	–	**431**	(1)	**430**
Change in fair value of investments at FVTOCI (Note 19)	–	–	**–**	2	–	–	**2**	–	**2**
Remeasurement of post-employment benefit obligations (Note 26)	–	–	**–**	(1)	–	–	**(1)**	–	**(1)**
Currency translation and hyperinflation movement	–	36	**36**	–	–	–	**36**	3	**39**
Total comprehensive income for the year	62	36	**98**	370	–	–	**468**	2	**470**
Total transactions with owners, recognised directly in equity									
Cost of equity-settled employee share scheme (Note 37)	–	–	**–**	27	–	–	**27**	–	**27**
Dividends paid (Note 14)	–	–	**–**	(109)	–	–	**(109)**	(1)	**(110)**
Share buyback (Note 31)	–	–	**–**	(368)	–	–	**(368)**	–	**(368)**
Balance at 31 December 2020 and 1 January 2021	119	(199)	**(80)**	1,892	41	282	**2,135**	13	**2,148**
Profit for the year[2]	48	–	**48**	373	–	–	**421**	(1)	**420**
Change in fair value of investments at FVTOCI (Note 19)	–	–	**–**	14	–	–	**14**	–	**14**
Realisation of revaluation reserve	(3)	–	**(3)**	3	–	–	**–**	–	**–**
Remeasurement of post-employment benefit obligations (Note 26)	–	–	**–**	(2)	–	–	**(2)**	–	**(2)**
Tax arising on remeasurement of post-employment benefit obligations	–	–	**–**	1	–	–	**1**	–	**1**
Currency translation and hyperinflation movement	–	(25)	**(25)**	–	–	–	**(25)**	3	**(22)**
Total comprehensive income for the year	45	(25)	**20**	389	–	–	**409**	2	**411**
Total transactions with owners, recognised directly in equity									
Cost of equity-settled employee share scheme (Note 37)	–	–	**–**	29	–	–	**29**	–	**29**
Exercise of employees share scheme	–	–	**–**	(1)	1	–	**–**	–	**–**
Dividends paid (Note 14)	–	–	**–**	(120)	–	–	**(120)**	(1)	**(121)**
Balance at 31 December 2021	**164**	**(224)**	**(60)**	**2,189**	**42**	**282**	**2,453**	**14**	**2,467**

1. Merger and revaluation reserves mainly relates to Columbus business acquisition in 2016
2. A net Impairment reversal of $48 million has been allocated from retained earnings to the merger and revaluation reserves in relation to Columbus business acquisition intangible assets (2020: $62 million) (Notes 6 and 16)

Consolidated cash flow statement

For the year ended 31 December 2021

	Note	2021 $m	2020 $m
Cash flows from operating activities			
Cash generated from operations	34	**767**	525
Income taxes paid		**(131)**	(68)
Income taxes received		**2**	7
Net cash inflow from operating activities		**638**	464
Cash flow from investing activities			
Purchases of property, plant and equipment		**(145)**	(172)
Purchase of intangible assets		**(84)**	(52)
Proceeds from sale of investment at FVTOCI		**5**	–
Additions of investments at FVTOCI		**(3)**	(5)
Proceeds from investment divestiture		**1**	2
Contingent consideration paid		**(17)**	(60)
Interest income received		**2**	7
Investment related amounts released from/(held in) escrow account		**3**	(3)
Net cash outflow from investing activities		**(238)**	(283)
Cash flow from financing activities			
Proceeds from issue of long-term financial debts		**10**	1,543
Repayment of long-term financial debts		**(45)**	(1,372)
Proceeds from short-term borrowings		**383**	430
Repayment of short-term borrowings		**(431)**	(367)
Repayment of lease liabilities		**(31)**	(14)
Dividends paid	14	**(120)**	(109)
Dividends paid to non-controlling shareholders of subsidiaries		**(1)**	(1)
Interest and bank charges paid		**(50)**	(39)
Share buyback		**–**	(375)
Commitment fees received related to the share buyback		**–**	7
Payment to co-development and earnout payment agreement		**(2)**	(1)
Net cash outflow from financing activities		**(287)**	(298)
Net increase/(decrease) in cash and cash equivalents		**113**	(117)
Cash and cash equivalents at beginning of year		**323**	442
Foreign exchange translation movements		**(10)**	(2)
Cash and cash equivalents at end of year	22	**426**	323

Notes to the consolidated financial statements

1. Adoption of new and revised standards

The following revised Standards and Interpretations have been issued and are effective for annual periods beginning on 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

— Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedient: A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

— IFRIC agenda decision – Configuration and customisation costs in a Cloud Computing Arrangement

The March 2021 IFRS Interpretation Committee update included an agenda decision on configuration and customisation costs in a cloud computing arrangement involving Software as a Service (SaaS). The agenda decision included guidance on how entities should account for such configuration and customisation costs.

The Group has adopted the IFRIC update as a change in accounting policy. The impact relating to prior year was not material and therefore the application was not retrospectively applied and was recognised in the current year consolidated income statement as exceptional item (Notes 6, 9 and 16).

2. Significant accounting policies

General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in United Kingdom under the Companies Act 2006. The address of the registered office is given on page 188.

The Group's principal activities are the development, manufacturing, marketing and selling of a broad range of generic, branded and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms.

Basis of preparation

Hikma Pharmaceuticals PLC's consolidated financial statements have been prepared in accordance with:

(i) UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework

(ii) IFRS as issued by the International Accounting Standards Board (IASB)

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities.

The accounting policies included in this note have been applied consistently other than where new policies have been adopted.

The Group's previously published consolidated financial statements were prepared in accordance with:

(i) IFRS in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. In addition to complying with IFRS in conformity with the requirements of the Companies Act 2006, 2020 financial statements also comply with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union

(ii) IFRS as issued by the International Accounting Standards Board (IASB)

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US dollar as the majority of the Company's business is conducted in US dollars.

Going concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. Taking into account the Group's current position and its principal risks for a period longer than 12 months from the date of signing the consolidated financial statement, a going concern analysis has been prepared using realistic scenarios applying a severe but plausible downside which shows sufficient liquidity headroom. Therefore, the Directors believe that the Group and its subsidiaries are adequately placed to manage its business and financing risks successfully, despite the current uncertain economic outlook. Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements. (see page 62).

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[1]. Nevertheless, the covenants are monitored and the Group was in compliance on 31 December 2021 and expects to remain in compliance with those covenants for the year ending in December 2022 even in the severe but plausible downside scenarios. As of 31 December 2021 the Group's investment grade rating was affirmed by S&P and Fitch.

1. Rating agencies: means each of Fitch, Moody's and S&P or any of their affiliates or successors

2. Significant accounting policies continued

Basis of consolidation
The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the Company) and entities controlled by the Company (together the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements include:

- the assets and liabilities, results and cash flows of the Company and its subsidiaries (entities that are controlled by the Group, through the power of governing the financial and operating policies to obtain benefits from its activities)
- the Group's share of the results and net assets of joint ventures

All subsidiaries and the Company financial statements consolidated are made up to 31 December each year.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group.

Transactions with non-controlling interests are recorded directly in equity.

Deferred tax relief on unrealised intra-group profit is accounted for only to the extent that it is considered recoverable.

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Contingent consideration classified as an asset or liability is a financial instrument and, within the scope of IFRS 9 'Financial Instruments', is measured at fair value, with changes in fair value recognised in the consolidated income statement in line with IFRS 9.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control). The resulting gain or loss, if any, is recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and acquired contingent liabilities exceeds the cost of the consideration, the excess is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and acquired contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Investments in joint ventures
Joint ventures are entities that the Group has the ability to exercise joint control over their economic activities and net assets.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, where the investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and acquired contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any impairment charges are recognised immediately in the consolidated income statement.

Where a Group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture. The aggregate of Group's share of profit or losses after tax of joint ventures is shown on the face of the consolidated income statement below operating profit and represents profit after tax.

2. Significant accounting policies continued

Foreign currencies
Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities at average rates for the relevant monthly accounting periods, which approximate to actual rates. Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within finance income and expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records. Non-monetary items arising from foreign currency transactions are not retranslated in the individual Group entity's accounting records. In the Consolidated Financial Statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date.

Exchange differences arising on consolidation are recognised in the consolidated statement of other comprehensive income. On the disposal of foreign operation entities, the accumulated foreign exchange gains/losses are reclassified from OCI to the consolidated income statement.

Hyperinflationary economies
In hyperinflationary economies, when translating the results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. In territories where there are restrictions on the free access to foreign currency or multiple exchange rates, the applicable rates of exchange are regularly reviewed. Lebanon and Sudan were considered to be hyperinflationary economies in the year ended 31 December 2021 at which date the prevailing rates were 436.28 Sudanese pound per US dollar and 1,507.5 Lebanese pound per US dollar. Any gain or loss on net monetary asset/liability is recognised in the consolidated income statement. The effect of inflation on non-monetary asset/liability is recognised in other comprehensive income within equity.

Revenue recognition
Under IFRS 15 revenue is recognised in the consolidated income statement when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

The Group manufactures certain medicines on behalf of some customers. The revenue from providing contract manufacturing services is recognised when these medicines are approved by the quality control department. There is no alternative use of these medicines and also the Group has enforceable right to payments once these medicines are quality approved.

The Group has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods before the transfer to the customer.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks and accruals for estimated future rebates, returns and price adjustments. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Variable consideration
The ultimate net selling price is calculated using variable consideration estimates for certain gross to net adjustments.

Chargebacks
The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the US, the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as 'indirect customers'. The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to large wholesale customers, the Group continually monitors the reserve for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves (see Note 21 for chargebacks sensitivity analysis).

Returns
The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves (see Note 27 for return sensitivity analysis).

Rebates
In the US, rebates are granted to wholesaler distributors and direct customers. Rebates are also granted to healthcare authorities and under contractual arrangements with certain indirect customers. Products sold in the US are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue (see Notes 21 and 27 for rebates sensitivity analysis).

2. Significant accounting policies continued

Performance obligation

Free goods

Free goods are issued to certain customers as an alternative to discounts. Under IFRS 15 these free goods give rise to a separate performance obligation, which requires management to allocate the transaction price to the original goods and the related free goods. Revenue for free goods is recognised when they are transferred to the customer and a contract liability is recognised for the performance obligations that will be satisfied in the future.

Share-based payments

At the Company's discretion and subject to the achievement of Group and personal performance criteria in the prior year, employees (including Executive Directors) of the Group receive performance based remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares (equity-settled transactions) under either the 2014 Executive Incentive Plans (EIP) or the 2009 and 2018 Management Incentive Plan (MIP). Refer to Note 37 for more details.

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares (share-based payments) or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the EIP and MIP are determined based on Black-Scholes methodology for nil-cost options using the share price as at the date of grant discounted by dividend yield. No account is taken of any performance conditions.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the year of performance and the vesting period after the grant date based on the Group's estimate of cost of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

Retirement benefit costs

- Payments made to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. (Note 40)
- In certain countries and entities, the Group has post-employment defined benefit plans. Accordingly, valuations of the obligations under those plans are carried out and any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement gains or losses in other comprehensive income. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in the consolidated income statement as past service costs
- End of service payments are provided for based on employees' final salaries and allowances and their cumulative years of service. (Note 26)

Dividend income

Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leases

In accordance with IFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets:

- Right-of-use assets: The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain of obtaining ownership of a leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right of use of assets are depreciated on a straight-line basis at the following depreciation rates:

Buildings	4% to 50%
Machinery and Equipment	20% to 33%
Vehicles	13% to 50%

- Lease liabilities: at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option, payments for optional extension periods and payments of penalties for terminating a lease when these options are reasonably certain to be exercised by the Group. The discount rate used to calculate the lease liabilities is the incremental borrowing rate (IBR). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit profile)
- Short-term leases and leases of low-value assets: the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). Lease payments on short term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term

2. Significant accounting policies continued

Taxes

The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 'Income Taxes'.

The tax expense represents the sum of the current tax in the current period and deferred tax.

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities within one year.

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred is calculated using tax rates that have been enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the consolidated balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences will reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, no deferred tax is provided.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Uncertain tax position

In line with IFRIC 23, if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

Exceptional items and other adjustments

We use a number of non-IFRS measures to report and monitor the performance of our business. Management uses these adjusted numbers internally to measure our progress and for setting performance targets. We also present these numbers, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our adjusted numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS.

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance and to improve comparability of our consolidated financial statements to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

Our core results exclude the exceptional items and other adjustments set out in Note 6 in the Notes to the consolidated financial statements.

Exceptional items

Exceptional items represent adjustments for costs and profits which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings, such as costs associated with business combinations, one-off gains and losses on disposal of businesses assets, reorganisation costs and any exceptional items related to tax such as significant tax benefit/expense associated with previously unrecognised deferred tax assets/liabilities.

Other adjustments

These include amortisation, impairment charge/reversal of intangible assets excluding software and finance income and expense resulting from remeasurement and unwinding of contingent consideration and co-development earnout payment agreement financial liabilities.

Intangible assets

An intangible asset is recognised if all the below conditions are met:

- it is identifiable
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group
- the cost of the asset can be measured reliably

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. The assets are amortised on a straight-line basis on the following amortisation rates:

Customer relationships	10%
Product related intangibles	5% to 33%
Trade names	10%
Marketing rights	7% to 33%
Software	10% to 33%

2. Significant accounting policies continued

Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an internally generated intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable.

Also, the Group engages with third-party research and development companies to develop products on its behalf. Substantial payments made to such third parties to fund research and development efforts are recognised as intangible assets if the capitalisation criteria for an intangible asset are met, which typically is when licence fees and certain milestone payments are made, all other payments are charged to the consolidated income statement.

Principal intangible assets are:

(a) **Goodwill:** arising in a business combination and is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets, liabilities and acquired contingent liabilities. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of any profit or loss on disposal in the consolidated income statement

(b) **Product related intangibles:**

(i) Product files and in-licensed products recognised through acquisitions and partnerships are amortised over their useful economic lives once the asset is ready for use

(ii) In process product files recognised on acquisition are amortised over the useful economic life once the asset is ready for use

(c) **Purchased software:** is amortised over the useful economic life when the asset is ready for use

Other identified intangibles are:

(d) **Customer relationships:** represent the value attributed to the long-term relationships held with existing customers that the Group acquired on business combinations. Customer relationships are amortised over their useful economic life

(e) **Trade names:** are amortised over their useful lives from the date of acquisition

(f) **Marketing rights:** are amortised over their useful lives commencing in the year in which the rights first generate sales

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land at the following depreciation rates:

Buildings	2% to 33%
Machinery and equipment	5% to 25%
Vehicles, fixtures and equipment	8% to 33%

A unit of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

2. Significant accounting policies continued

Impairment of property, plant and equipment and intangible assets

At the same time each year, the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use. At the year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject to depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use (VIU). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit (CGU)) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

When an impairment loss for the asset, other than goodwill, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined had there been no impairment in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGU's recoverable amounts. A previously recognised impairment loss is reversed only if there has been a sustained and discrete change in the assumptions and indicators used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement. In line with IAS 36, previously recognised impairment losses on goodwill are not reversed, see Note 16.

The Group's goodwill and intangible assets are tested as follows:

(a) Goodwill is allocated to each of the Group's cash-generating units. These cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The assumptions used and sensitivity analysis in the impairment tests are set out in Note 16

(b) Intangible assets that are not yet ready for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the consolidated balance sheet, inventory is primarily valued at historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Inventory related provisions are made when net realisable value is lower than cost, and for slow moving and short dated inventory.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and highly liquid investments with maturities within three months or less. Money market deposits comprise investment in funds at FVTPL that are subject to insignificant risk of changes in fair value and can be readily converted into cash.

2. Significant accounting policies continued

Financial instruments
Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
The Group classifies its financial assets in the following measurement categories:

(i) Financial assets at FVTPL
Listed shares, debt instruments and investment portfolios held by the Group that are traded in an active market are classified as being financial assets at FVTPL and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated Income Statement, see Note 23.

(ii) Financial assets at FVTOCI
The Group's investments held by its venture capital subsidiaries are stated at FVTOCI with no recycling of cumulative gains or losses upon de-recognition. Investments in unlisted shares are measured at cost minus any impairment and adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer under level 3 valuation. For investments in listed shares, fair value is readily determinable under level 1 valuation, see Notes 19 and 29.

(iii) Financial assets at amortised cost
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. These financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit loss. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities
Financial liabilities are classified in two categories: financial liabilities at FVTPL or financial debts representing loans and borrowings. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities at FVTPL
The Group currently has two financial liabilities at FVTPL as below:

- co-development and earn out payment agreements with third parties where the Group earns milestone payments reflecting the achievement of research and development; and commercialisation milestones. Those payments are recognised as financial liabilities once received
- contingent consideration arising from the Columbus business acquisition represent contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products

Financial liabilities at FVTPL are revalued at the end of each reporting period to represent the value of expected future cash outflows and the difference is presented as finance cost/income. These financial liabilities are currently booked under other non-current liabilities and other current liabilities in the consolidated balance sheet. (Note 27 and 30)

(ii) Financial debts
Financial debts are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method is used for calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The calculation of effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2. Significant accounting policies continued

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Own shares
- The Group provides finance to the trustee of the Employee Benefit Trust (EBT) which is Link Market Service Trustee Limited to purchase shares to satisfy long-term commitments arising from the employee share plan operated by the Company. These shares are deducted from equity. (Note 31)
- Treasury shares and any direct expenses associated with them are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. (Note 31)

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Company. In accordance with the laws of the United Kingdom, a final dividend is recognised when it is approved by the majority of shareholders and an interim dividend is recognised when it is paid.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates 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 Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

Revenue recognition estimate (Notes 4 and 5)
The Group's revenue recognition policies require Directors to make estimates of the net selling price, which is made complicated due to chargebacks, product returns and rebates. These arrangements vary by product arrangement and buying group. Refer to Note 2 for more details on each of the underlying estimates, and Notes 21 and 27 for sensitivity analysis.

Goodwill and intangible assets – impairment testing
CGUs (Note 16)
Testing for impairment of goodwill and other assets included within a cash generating unit (CGU) to establish the appropriate valuation of the CGU. The valuation used for comparison to the carrying value of the net assets of the CGU requires the following key judgements and estimates:

Critical judgement
- Determination of the CGU
- For reversal assessment of the Generics CGU, the Group assessed the events that indicated the impairment booked in 2017 and concluded that such indicators still existed, namely pricing pressures in the market, the increasing number of generic products and delays to approvals of more complex products. The existing valuation headroom above the carrying value of the Generics CGU has predominantly been created by marketed and pipeline products that were not reflected in the Group's plans at the time that the original impairment was booked, and as such did not reflect a reversal of the initial impairment indicators

Critical estimates
- Estimating a five-year business plan for the purposes of forecasting free cash flows involves forecasting appropriate sales and operating expenses taking into consideration both internal and external information
- Estimating future capital expenditures and working capital requirements over the five-year period
- Estimating a discount rate that appropriately reflects the Group's weighted average cost of capital as adjusted for specific risk premiums reflecting risks inherent in achieving the projected future cash flows
- Estimating an appropriate terminal growth rate beyond the forecast period

Product related intangibles (Note 16)
Valuing intangible assets upon initial recognition as at the acquisition date and testing for impairment require the following judgements and estimates:

Critical judgement
- For pipeline products, establishing the launch date and probability of a successful product approval are critical judgements
- Determining whether an impairment indication has occurred for intangible assets. In such case the Group first assesses the qualitative factors to determine whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test
- For previously impaired assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased, if such indication exists, the Group estimates the asset's or CGU's recoverable amount. Refer to Notes 2 and 16 for more details

Critical estimates
- Estimating revenue forecasts (including market size, estimated expected market share, number of competitors and net selling prices)
- Estimating the expected economic useful lives of the product-related intangibles
- Estimating the sales and the allocation of marketing, research and development and other operating costs to the individual product-related intangibles
- Estimating a contributory asset charge (on working capital, fixed assets and workforce)
- Estimating a discount rate and specific risk premiums

Contingent consideration (Notes 27, 29 and 30)
The determination of the fair value of contingent consideration is based on discounted cash flows. The critical estimates and judgements taken into consideration for contingent consideration fair valuation are the same as applied for forecasting revenue of launched and pipeline products described in 'Product related intangibles' above. (See Note 29 for sensitivity analysis)

3. Critical accounting judgements and key sources of estimation uncertainty continued

Taxation (Notes 12 and 13)

Key sources of estimation uncertainty

The Group has made the following key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recognition of deferred tax assets (Note 13)

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period.

This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

Tax audit risk

In common with most international organisations, the Group is subject to audit from revenue authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses. Hikma continues to invest in its financial systems to ensure the quality of the Group's financial data which reduces the risk of an adverse revenue authority audit. Furthermore, Hikma continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments and audits. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Other risks

In addition to tax audits, the Group faces other potential tax risks that could affect the sustainability of the Group's effective tax rate. The main risks are noted below. Hikma regularly takes professional advice to ensure the risks mentioned below are appropriately analysed and managed with any ultimate potential liability being adequately provided.

Transfer pricing risk

The transfer pricing risk can arise from a difference in view over the pricing of cross-border, intercompany product sales and services and of sales of assets. The standard by which most authorities, and the Group, assess the transfer price is whether it is set at arm's length. An upward adjustment by the tax authority of one territory will not necessarily result in the downward adjustment by the other territory, potentially leading to an increased estimated tax cost through a mismatch of tax deductions and taxable income, as well as a potential increase arising out of a rate arbitrage. The Group has considered the risk in detail and has provided for potential tax adjustments so does not believe that any adjustment will materially impact the rate going forward.

Valuation risk

As part of a reorganisation following the Columbus business acquisition in 2016 and the 2019 business restructuring, certain assets and liabilities were transferred intra-Group with external valuations obtained. If these valuations are successfully challenged by relevant tax authorities, it could adversely impact the tax recorded on the reorganisation.

Sensitivity (Note 12)

Where an uncertain tax position arises, the Group will assess what the probable outcome will be, assuming the relevant tax authority has full knowledge of the situation. Where it is assessed that an exposure will give rise to an uncertain tax position, a provision is booked for the best estimate of the liability in line with IFRIC 23 principles. Hikma continues to re-evaluate existing uncertain positions to determine if a change in facts and circumstances has occurred that would make it necessary to adjust.

Contingent liabilities

Legal contingent liabilities

The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain investigations by governmental agencies, as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes. (see Note 36)

The critical areas of judgement in relation to contingent liabilities are as follows:

- a possible obligation depending on whether some uncertain future event occurs in relation to legal proceedings and/or governmental agencies investigations
- a present obligation but payment is not probable where Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of legal proceedings
- a present obligation but the amount cannot be measured reliably

Tax contingent liabilities

Due to the Group operating across a number of different tax jurisdictions, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business. These challenges generally include transfer pricing arrangements, other international tax matters and the judgemental interpretation of local tax legislation.

4. Revenue from contracts with customers

Business and geographical markets

The following tables provide an analysis of the Group's reported revenue by segment and geographical market, irrespective of the origin of the goods/services:

Year ended 31 December 2021	Injectables $m	Generics $m	Branded $m	Others $m	Total $m
United States	691	820	–	–	1,511
Middle East and North Africa	180	–	661	6	847
Europe and rest of the world	176	–	8	5	189
United Kingdom	6	–	–	–	6
	1,053	820	669	11	2,553

Year ended 31 December 2020	Injectables $m	Generics $m	Branded $m	Others $m	Total $m
United States	662	744	–	–	1,406
Middle East and North Africa	160	–	605	5	770
Europe and rest of the world	149	–	8	2	159
United Kingdom	6	–	–	–	6
	977	744	613	7	2,341

The top selling markets in 2021 are as below:

	2021 $m	2020 $m
United States	1,511	1,406
Saudi Arabia	218	223
Egypt	127	118
	1,856	1,747

In 2021, included in revenue arising from the Generics and Injectables segments are sales the Group made to two wholesalers in the US accounting for equal to or greater than 10% of the Group's revenue on an individual basis of $402 million (16% of Group revenue) and $341 million (13% of Group revenue), in 2020: $333 million (14% of Group revenue) and $274 million (12% of Group revenue).

The following table provides contract balances related to revenue:

	2021 $m	2020 $m
Trade receivables (Note 21)	781	662
Contract assets (Note 23)	–	3
Contract liabilities (Note 27)	213	162

Trade receivables are non-interest bearing and typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days, and in MENA 180 to 360 days.

Contract liabilities mainly relate to returns and free goods provisions.

5. Business segments

For management reporting purposes, the Group is organised into three principal operating divisions – Injectables, Generics and Branded. These divisions are the basis on which the Group reports its segmental information.

Core operating profit, defined as 'segment result', is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below:

Injectables	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Revenue	1,053	–	1,053	977	–	977
Cost of sales	(472)	–	(472)	(414)	–	(414)
Gross profit	581	–	581	563	–	563
Total operating expenses	(186)	(44)	(230)	(186)	(23)	(209)
Segment result	395	(44)	351	377	(23)	354

Generics	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Revenue	820	–	820	744	–	744
Cost of sales	(432)	–	(432)	(403)	(12)	(415)
Gross profit	388	–	388	341	(12)	329
Total operating expenses	(186)	15	(171)	(180)	54	(126)
Segment result	202	15	217	161	42	203

Branded	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Revenue	669	–	669	613	–	613
Cost of sales	(341)	–	(341)	(306)	–	(306)
Gross profit	328	–	328	307	–	307
Total operating expenses	(203)	(21)	(224)	(181)	(6)	(187)
Segment result	125	(21)	104	126	(6)	120

Others[1]	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Revenue	11	–	11	7	–	7
Cost of sales	(6)	–	(6)	(5)	–	(5)
Gross profit	5	–	5	2	–	2
Total operating expenses	(3)	–	(3)	(2)	–	(2)
Segment result	2	–	2	–	–	–

1. Others mainly comprises Arab Medical Containers LLC and International Pharmaceutical Research Center LLC

5. Business segments continued

Group	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Segment result	724	(50)	674	664	13	677
Unallocated expenses[1]	(92)	–	(92)	(98)	–	(98)
Operating profit/(loss)	632	(50)	582	566	13	579
Finance income	1	29	30	9	38	47
Finance expense	(56)	(13)	(69)	(54)	(15)	(69)
Gain from investment at FVTPL	–	–	–	1	–	1
Results from joint venture	1	–	1	–	–	–
Profit/(loss) before tax	578	(34)	544	522	36	558
Tax	(129)	5	(124)	(115)	(13)	(128)
Profit/(loss) for the year	449	(29)	420	407	23	430
Attributable to:						
Non-controlling interests	(1)	–	(1)	(1)	–	(1)
Equity holders of the parent	450	(29)	421	408	23	431
	449	(29)	420	407	23	430

1. Unallocated corporate expenses mainly comprise employee costs, third-party professional fees and IT expenses

The following table provides an analysis of the Group non-current assets[2] by geographic area:

	2021 $m	2020 $m
United States	1,083	995
Middle East and North Africa		
Jordan	365	356
Others	321	307
	686	663
Europe and rest of the world		
Portugal	136	137
Others	52	55
	188	192
United Kingdom	81	94
	2,038	1,944

2. Non-current assets exclude investments in joint ventures, deferred tax assets, and financial and other non-current assets

6. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance.

	2021	Generics $m	Injectables $m	Branded $m	Unallocated $m	Total $m
Exceptional items						
Intangible assets write-down	Other operating expenses	(1)	(1)	(11)	–	(13)
Exceptional items		(1)	(1)	(11)	–	(13)
Other adjustments						
Impairment reversal of product related intangibles	Other operating income	60	–	–	–	60
Impairment of product related intangibles	Other operating expenses	(14)	(10)	–	–	(24)
Intangible assets amortisation other than software	SG&A	(30)	(33)	(10)	–	(73)
Remeasurement of contingent consideration	Finance income	–	–	–	29	29
Unwinding and remeasurement of contingent consideration and other financial liability	Finance expense	–	–	–	(13)	(13)
Exceptional items and other adjustments included in profit before tax		15	(44)	(21)	16	(34)
Tax effect	Tax					5
Impact on profit for the year						(29)

Exceptional items have been recognised in accordance with our accounting policy outlines in Note 2, the details are presented below:

Exceptional items

– Intangible assets write-down: $13 million write-down of software representing prior year impact of the application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment. The Group has adopted the IFRIC update as a change in accounting policy. The impact relating to prior year was not material and therefore the application was not retrospectively applied and was recognised in the current year consolidated income statement as exceptional item (Note 1)

Other adjustments

– Impairment reversal of product related intangibles: $60 million impairment reversal mainly related to generic Advair Diskus® intangible asset as a result of launching the product following FDA approval in April 2021 following an amendment submitted to its Abbreviated New Drug Application in January 2021 (Note 16)
– Impairment of product related intangibles: $24 million impairment charge of different product related intangibles due to a decline in performance and forecasted profitability (Note 16)
– Intangible assets amortisation other than software of $73 million
– Remeasurement of contingent consideration finance income of $29 million represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations (Notes 27, 29 and 30)
– Unwinding and remeasurement of contingent consideration and other financial liability finance expense of $13 million represents the expense resulting from the unwinding and the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 27, 29 and 30)

6. Exceptional items and other adjustments continued

In the previous year, exceptional items and other adjustments were related to the following:

	2020	Generics $m	Injectables $m	Branded $m	Unallocated $m	Total $m
Exceptional Items						
Jordan warehouse fire incident	Other operating income	4	–	7	–	11
MENA severance and restructuring costs	SG&A	–	–	(3)	–	(3)
Assets write off – PPE Impairment	Other operating expenses	(3)	–	–	–	(3)
Assets write off – Inventory Related Provision	Cost of sales	(12)	–	–	–	(12)
Exceptional items		(11)	–	4	–	(7)
Other adjustments						
Impairment of product related intangibles	Other operating expenses	(4)	–	–	–	(4)
Impairment reversal of product related intangibles	Other operating income	66	–	–	–	66
Intangible assets amortisation other than software	SG&A	(9)	(23)	(10)	–	(42)
Remeasurement of contingent consideration	Finance income	–	–	–	38	38
Unwinding and remeasurement of contingent consideration and other financial liability	Finance expense	–	–	–	(15)	(15)
Exceptional items and other adjustments including in profit before tax		42	(23)	(6)	23	36
Tax expenses associated with previously unrecognised deferred tax assets	Tax					(3)
Tax effect	Tax					(10)
Impact on profit for the year						23

Exceptional items

– Jordan warehouse fire incident: In 2020, Hikma recognised $11 million for insurance compensation related to a fire incident which took place in 2019 at one of Hikma's Jordan facilities
– MENA severance and restructuring costs: of $3 million related to one-off organisational restructuring in MENA that started in 2019 and finished in 2020
– Assets write off: In December 2020, Hikma submitted to the FDA a Prior Approval Supplement (PAS) relating to generic Advair Diskus®. The amendment reflected enhanced packaging controls to meet new industry standards adopted since the initial submission of its ANDA application. As a result, the launch has been temporarily paused and inventory amounting to $12 million was expected to expire before launch and has been written off. In addition, $3 million of property, plant and equipment was written off (Notes 9 and 17)
– Tax expense associated with previously unrecognised deferred tax assets: A prior year adjustment to the tax expense associated with previously unrecognised deferred tax assets of $3 million arose as a tax return to provision adjustment

Other adjustments

– Impairment reversal of product related intangibles: $66 million impairment reversal in respect of specific product related intangibles in the Generics segment which reflected a better than expected performance of certain marketed products acquired through business combination (Note 16)
– Impairment charge of product related intangibles of $4 million
– Intangible assets amortisation other than software of $42 million
– Remeasurement of contingent consideration finance income of $ 38 million represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations (Notes 27, 29 and 30)
– Unwinding and remeasurement of contingent consideration and other financial liability finance expense of $15 million represents the expense resulting from the unwinding and the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 27, 29 and 30)

7. Audit remuneration

The Group auditor's remuneration on a worldwide basis is as below:

	2021 $m	2020[1] $m
Fees to the auditor for the audit of the annual accounts	1.4	1.0
Fees to the auditor and its associates for the audit of the Group's subsidiaries	1.9	1.9
Total audit fees	3.3	2.9
Audit related assurance services[2]	0.2	0.2
Other non-audit fees	–	0.2
Total audit and non-audit fees	3.5	3.3

1. Amounts have been restated to reflect final amounts billed in relation to 2020
2. Assurance services relate to review procedures in respect to the interim financial information

In 2020, non-audit fees of $0.2 million were charged relating to a bond offering.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 83 to 86 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2021 Number	2020 Number
Production	4,924	4,918
Sales, general and administration	3,273	3,282
Research and development	506	481
	8,703	8,681

	2021 $m	2020 $m
Aggregate remuneration comprised:		
Wages, salaries and bonuses	407	392
Social security costs	38	39
Post-employment benefits	15	14
End of service indemnity	9	9
Share-based payments (Note 37)	29	27
Car and housing allowances	22	21
Health insurance	41	36
Other costs and employee benefits	22	22
	583	560

9. Other operating income/expenses

Other operating expense	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Impairment charge of intangible assets	–	24	24	11	4	15
Intangible assets write-down	–	13	13	–	–	–
Impairment charge of property, plant and equipment	1	–	1	3	3	6
Loss on disposal/damage of property, plant and equipment	1	–	1	2	–	2
Forex and net monetary hyperinflation losses, net	36	–	36	30	–	30
Others	2	–	2	1	–	1
	40	37	77	47	7	54

Exceptional items and other adjustments comprise $24 million impairment charge in relation to certain product related intangible assets and $13 million write-down of software representing prior year impact of the application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment. In 2020, exceptional items and other adjustments comprised $4 million impairment charge in relation to certain product related intangible assets in addition to $3 million write off of property, plant and equipment (Notes 6, 16 and 17).

Other operating income	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Impairment reversal of intangible assets	–	60	60	–	66	66
Others	2	–	2	3	11	14
	2	60	62	3	77	80

Exceptional items and other adjustments represent $60 million (2020: $66 million) impairment reversal in relation to certain product related intangible assets (Notes 6 and 16).

In 2020, the other operating income of $14 million mainly comprised $11 million for insurance compensation related to a fire incident.

10. Finance income

	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Interest income	1	–	1	7	–	7
Remeasurement of contingent consideration (Notes 27, 29 and 30)	–	29	29	–	38	38
Other finance income	–	–	–	2	–	2
	1	29	30	9	38	47

11. Finance expense

	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Interest on bank overdrafts and loans	21	–	21	22	–	22
Interest on Eurobond	18	–	18	15	–	15
Unwinding and remeasurement of contingent consideration and other financial liabilities (Notes 27, 29 and 30)	–	13	13	–	15	15
Other bank charges	13	–	13	13	–	13
Lease accretion of interest	4	–	4	4	–	4
	56	13	69	54	15	69

12. Tax

	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Current tax:						
Foreign tax	114	(7)	107	99	(2)	97
Adjustment to prior year	(13)	–	(13)	1	3	2
Deferred tax (Note 13)						
Current year	20	2	22	19	12	31
Adjustment to prior year	8	–	8	(2)	–	(2)
	129	(5)	124	115	13	128

UK corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $124 million (2020: $128 million). The effective tax charge rate is 22.8% (2020: 22.9%). The reported effective tax rate is higher than the statutory rate primarily due to the earnings mix.

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

12. Tax continued

The charge for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2021 $m	2020 $m
Profit before tax	544	558
Tax at the UK corporation tax rate of 19% (2020: 19.00%)	104	106
Profits taxed at different rates	7	7
Permanent differences:		
– Non-deductible expenditure	5	7
– Other permanent differences	2	–
– Research and development benefit	(6)	(3)
State and local taxes	7	8
Temporary differences:		
– Rate change tax losses and other deductible temporary differences for which no benefit is recognised	5	6
– Exceptional tax charge associated with previously unrecognised tax losses (Note 6)	–	3
Change in provision for uncertain tax positions	2	(8)
Unremitted earnings	3	4
Prior year adjustments	(5)	(2)
Tax expense for the year	124	128

Profits taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate. Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as research and development.

Rate change tax losses and other deductible temporary differences for which no benefit is recognised includes items for which it is not possible to book deferred tax and comprise mainly unrecognised tax losses.

The change in provision for uncertain tax positions relates to the provisions the Group holds in the event a revenue authority successfully takes an adverse view of the positions adopted by the Group in 2021 and primarily relates to transfer pricing adjustment. As at the consolidated balance sheet date, the Group held an aggregate provision in the sum of $44 million (2020: $43 million) for uncertain tax positions. The Group released $nil in 2021 (2020: $8 million) due to the statute of limitations and released $7 million (2020: $4 million) following settlements with no final tax adjustments required by the relevant tax authorities. This was offset by new provisions and updates of $9 million booked in 2021 (2020: $4 million). The currency exchange differences for the year is a $1 million reduction to the aggregate provision. In 2022, up to $4 million could be released due to the statute of limitation and settlements. If all areas of uncertainty were audited and all areas resulted in an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and the estimated tax provision reported in a prior period's consolidated financial statements. This category also includes adjustments to the tax returns (favourable) against which an adverse uncertain tax position has been booked and included under "change in provision for uncertain tax positions" above.

Publication of tax strategy

In line with the UK requirement for large UK businesses to publish their tax strategy, the Group's tax strategy has been made available on the Group's website.

13. Deferred tax

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December	
	2021 $m	2020 $m
Deferred tax liabilities	**(24)**	(31)
Deferred tax assets	**183**	221
	159	190

The below table represents the deferred tax movement in 2021:

	Product related provision $m	**Intangible assets $m**	**Other provisions and accruals $m**	**Unremitted earnings $m**	**Others $m**	**Total $m**
1 January 2021	111	76	18	(11)	(4)	190
Credit/(charge) to income	(17)	–	(6)	3	(10)	(30)
Currency translation (loss) and hyperinflation impact	–	1	–	–	(2)	(1)
At 31 December 2021	**94**	**77**	**12**	**(8)**	**(16)**	**159**

The below table represents the deferred tax movement in 2020:

	Product related provision $m	Intangible assets $m	Other provisions and accruals $m	Unremitted earnings $m	Others $m	Total $m
1 January 2020	96	99	20	(7)	15	223
Credit/(charge) to income	15	22	(1)	(4)	(17)	(29)
Currency translation (loss) and hyperinflation impact	–	(1)	(1)	–	(2)	(4)
At 31 December 2020	**111**	**76**	**18**	**(11)**	**(4)**	**190**

The Group has a potential deferred tax asset of $234 million (2020: $258 million), of which $183 million (2020: $221 million) has been recognised.

No deferred tax asset has been recognised on gross temporary differences totalling $208 million (2020: $171 million) mainly due to the unpredictability of the related future profit streams. $194 million (2020: $168 million) of these gross temporary differences relate to losses, of which $186 million are UK losses that don't expire. No deferred tax is recognised against the losses due to significant uncertainty regarding future taxable income forecasts in the relevant jurisdictions. $3 million of non-UK losses are expected to expire in 2022. The remaining $14 million represent other unrecognised gross short term temporary differences that relate to multiple jurisdictions.

During the year a reduction in the deferred tax liability has been recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries of $3 million (2020: addition of $4 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $207 million (2020: $239 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group has adjusted the classification of $11 million to better reflect the nature of deferred tax balances, this has been included in the current year movement under "credit/(charge) to income" and did not result in any impact on the consolidated balance sheet. Deferred taxes on intangible assets relate to differences between the tax deductions and the book deductions for intangible assets.

14. Dividends

	Paid in 2021 $m	Paid in 2020 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 34.0 cents (31 December 2019: 30.0 cents) per share	**78**	72
Interim dividend during the year ended 31 December 2021 of 18.0 cents (31 December 2020: 16.0 cents) per share	**42**	37
	120	109

The proposed final dividend for the year ended 31 December 2021 is 36.0 cents (2020: 34.0 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 25 April 2022 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in free issue at 31 December 2021 (231,498,055), the unrecognised liability is $83 million.

15. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of Ordinary Shares. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of the Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all dilutive potentially Ordinary Shares. The number of Ordinary Shares used for the basic and diluted calculations is shown in the table below. Core basic earnings per share and core diluted earnings per share are intended to highlight the core results of the Group before exceptional items and other adjustments.

	2021 Core results $m	**2021 Exceptional items and other adjustments (Note 6) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**450**	**(29)**	**421**	408	23	431

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year after deducting Treasury shares and shares held by the Employee Benefit Trust (EBT). Treasury shares have no right to receive dividends and the trustees have waived their rights to dividends on the shares held by the EBT.

The numbers of shares used in calculating basic and diluted earnings per share are reconciled below:

Number of shares	**2021 Number m**	2020 Number m
Weighted average number of Ordinary Shares for the purposes of basic EPS[1]	**231**	236
Effect of dilutive potentially Ordinary Shares:		
Share-based awards	**2**	2
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**233**	238

1. Weighted average number of ordinary shares has been calculated by the weighted average number of shares in issue during the year after deducting Treasury shares and shares held by the EBT (Note 31)

	2021 Core EPS Cents	**2021 Reported EPS Cents**	2020 Core EPS Cents	2020 Reported EPS Cents
Basic	**194.8**	**182.3**	172.9	182.6
Diluted	**193.1**	**180.7**	171.4	181.1

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16. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Goodwill $m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2020	690	1,033	147	184	2,054
Additions	–	8	12	16	36
Disposals	–	–	(14)	–	(14)
Translation adjustments	7	–	–	5	12
Balance at 1 January 2021	**697**	**1,041**	**145**	**205**	**2,088**
Write-down	–	–	(14)	–	(14)
Additions	–	14	11	58	83
Reclassification	–	3	–	(3)	–
Translation adjustments	(4)	(2)	–	(3)	(9)
Balance at 31 December 2021	**693**	**1,056**	**142**	**257**	**2,148**
Accumulated amortisation and impairment					
Balance at 1 January 2020	(408)	(660)	(75)	(77)	(1,220)
Charge for the year	–	(29)	(10)	(14)	(53)
Disposals	–	–	14	–	14
Impairment reversal	–	66	–	–	66
Impairment charge	–	(5)	(10)	–	(15)
Translation adjustments	–	(1)	–	(3)	(4)
Balance at 1 January 2021	**(408)**	**(629)**	**(81)**	**(94)**	**(1,212)**
Write-down	–	–	1	–	1
Charge for the year	–	(59)	(11)	(14)	(84)
Impairment reversal	–	60	–	–	60
Impairment charge	–	(23)	–	(1)	(24)
Translation adjustments	–	1	–	2	3
Balance at 31 December 2021	**(408)**	**(650)**	**(91)**	**(107)**	**(1,256)**
Carrying amount					
At 31 December 2021	**285**	**406**	**51**	**150**	**892**
At 31 December 2020	289	412	64	111	876

Of the total intangible assets other than goodwill, $132 million (2020: $252 million) are under development and not yet subject to amortisation.

16. Goodwill and other intangible assets continued

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December 2021 $m	2020 $m
Branded	**170**	173
Injectables	**115**	116
Total	**285**	289

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indicators that goodwill may be impaired.

Branded, Injectables and Generics CGUs

Details related to the discounted cash flow models used in the impairment tests of the Branded, Injectables and Generics CGUs are as follows:

Valuation basis	VIU
Key assumptions	Sales growth rates, informed by pricing and volume assumptions Profit margins and profit margin growth rates for marketed and pipeline products Expected launch dates for pipeline products Terminal growth rates Discount rates
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information, informed by historical experience and management's best estimates of the future Margins reflect past experience, adjusted for expected changes in the future Establishing the launch date and probability of a successful product approval for pipeline products Terminal growth rates are based on the Group's experience in its markets Discount rates for each CGU are derived from specific regions/countries
Period of specific projected cash flows	5 years, to which a terminal growth rate is then applied
Terminal growth rate and discount rate	

	Terminal growth rate (perpetuity) 2021	2020	Pre-tax discount rate 2021	2020
Branded	**2.4%**	2.4%	**15.4%**	16.6%
Injectables	**2.1%**	2.1%	**10.2%**	11.1%
Generics	**2.3%**	2.3%	**9.9%**	12.7%

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16. Goodwill and other intangible assets continued

The Group performed its annual goodwill and CGU impairment test for the Branded, Injectables and Generics. The Group's model is a VIU model based on the discounted value of the best estimates derived from the key assumptions to arrive at the recoverable value. This value is then compared to the carrying value of the CGU to determine whether an impairment is required. In addition, the Group models sensitivities on the VIU amounts calculated to determine whether reasonable changes in key assumptions could lead to a potential impairment. If such reasonable changes would result in an impairment, then in accordance with IAS36 these are disclosed below. For the Branded, Injectables and Generics CGUs the Group has determined that sufficient headroom[1] still exists under reasonable changes in key assumptions. Specifically, an evaluation of the CGUs was made assuming an increase of two percentage points in the discount rate, or a 10% decline in the projected cash flows, or a 5% decline in the projected cash flows in the terminal year or reducing the terminal growth rate by two percentage points and in all cases sufficient headroom exists.

Climate-related matters: The Group monitors the development of climate related risks. At the current time, climate change is not expected to have a material impact on the consolidated financial statements (see page 50). The Group conducted a sensitivity for the potential impact of climate change, specifically assuming disruption through extreme weather events, such scenario had minimal impact on the recoverable values of all CGUs.

1. Headroom is defined as the excess of the recoverable value, over the carrying value of a CGU

Generic Advair Diskus® CGU

The Group evaluated generic Advair Diskus® as a separate CGU, mainly due to its distinct assets and liabilities and its ability to generate largely independent cash flows.

As per the Group policy, the launching of generic Advair Diskus® following FDA approval in April 2021 of an amendment submitted to its Abbreviated New Drug Application in January 2021 was considered as an indicator for an impairment reversal assessment. As a result, the Group evaluated the generic Advair Diskus® CGU recoverable amount based on fair value less cost to sell (FVLCS) model, being the higher value compared to VIU.

The evaluation resulted in a reversal of impairment of $46 million bringing the revised carrying value to $160 million. This valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as a level 3 valuation. Details relating to the discounted cash flow model used for the generic Advair Diskus® impairment test are as follows:

Valuation basis	FVLCS
Key assumptions	Sales growth rates, informed by pricing and volume assumptions Profit margins and profit margin growth rates Useful life Discount rates
Determination of assumptions	Probability weighted average of different possibilities on sales growth rates, informed by conversion rates from the branded products and competitor entries Margins reflect past experience, adjusted for expected changes in the future Useful life reflects management best estimate of the product's expected economic benefit Discount rate is derived from the specific region/country in which the CGU operates
Period of specific projected cash flows	5 years
Useful life	15 years
Post-tax discount rate	8%

The Group performed sensitivity analysis over the valuation of the generic Advair Diskus® CGU. The sensitivity analysis assumed an increase of two percentage points in the discount rate or a 10% decline in the projected cash flows. Applying those sensitivities would result in an impairment charge against the generic Advair Diskus® CGU of approximately $13 million and $17 million, respectively.

Product-related intangible assets

In-Process Research and Development (IPR&D)

IPR&D consists of pipeline products of $6 million mainly related to Generics CGU of $5 million with immaterial amounts allocated to the Branded and Injectables CGUs. At 31 December 2020, IPR&D balance was $170 million mainly related to generic Advair Diskus® of $138 million which was launched during the year and transferred to product rights. These intangibles are not in use and accordingly, no amortisation has been charged against them. The Group performs an impairment review of IPR&D assets annually. The result of this test was an impairment charge of $9 million (2020: $4 million)

Product rights

Product rights consists of marketed products of $400 million (2020: $242 million) mainly related to generic Advair Diskus®.

Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated economic benefit, calculates the value of the individual assets or asset group's cash flows and compares such value against the individual asset's or asset group's carrying amount. If the carrying amount is greater, the Group records an impairment loss for the excess of book value over the valuation which is based on the discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows and the CGUs under which these products sit. Furthermore, if there is an indication that previously recognised impairment losses no longer exist or have decreased, the Group estimates the assets' recoverable amounts. A previously recognised impairment loss is reversed only if there has been a sustained and discrete change in the assumptions and indicators used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. As at 31 December 2021, the result of this testing was an impairment charge of $14 million (2020: $1 million) related to different products due to declines in performance and forecasted profitability, and an impairment reversal of $60 million (2020: $66 million) comprising $46 million related to the generic Advair Diskus® intangible asset and $14 million for other products related to the Generics CGU due to improved performance.

The Group performed sensitivity analysis over the valuation of the generic Advair Diskus® intangible asset. The sensitivity analysis assumed an increase of two percentage points in the discount rate or a 10% decline in the projected cash flows, applying those sensitivities would result in an impairment charge against the generic Advair Diskus® intangible asset of approximately $11 million and $16 million, respectively.

Software

Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications. The software has an average estimated useful life that varies from three to ten years.

In 2021, there was no impairment of software (2020: $10 million).

In 2021, the Group recorded a $13 million write-down of software previously capitalised as a result of application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment.

Other identified intangibles

Other identified intangibles comprise customer relationships, trade names and marketing rights of $150 million (2020: $111 million). The increase during the year represent payments made to third parties in relation to marketing rights and licensing agreements. Following a review of impairment indicators for other identified intangibles as at 31 December 2021, there was an impairment charge of $1 million (2020: $nil).

Customer relationships

Customer relationships represent the value attributed to existing direct customers that the Group acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years.

Trade names

Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany) with estimated useful lives of ten years.

Marketing rights

Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use with estimated useful lives varying from two to ten years.

17. Property, plant and equipment

Cost	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction[1] $m	Total $m
Balance at 1 January 2020	**597**	**685**	**125**	**233**	**1,640**
Additions	6	20	8	136	170
Disposals	(4)	(34)	(7)	–	(45)
Transfers	28	83	3	(114)	–
Translation adjustment	9	7	1	–	17
Balance at 1 January 2021	**636**	**761**	**130**	**255**	**1,782**
Additions	18	17	7	104	146
Disposals	(3)	(10)	(6)	(10)	(29)
Transfers	28	39	8	(75)	–
Translation adjustment	(3)	(11)	(1)	(3)	(18)
Balance at 31 December 2021	**676**	**796**	**138**	**271**	**1,881**
Accumulated depreciation and impairment					
Balance at 1 January 2020	**(199)**	**(420)**	**(96)**	**(13)**	**(728)**
Charge for the year	(18)	(36)	(17)	–	(71)
Disposals	4	32	7	–	43
Impairment	(2)	(4)	–	–	(6)
Translation adjustment	(4)	(6)	(1)	–	(11)
Balance at 1 January 2021	**(219)**	**(434)**	**(107)**	**(13)**	**(773)**
Charge for the year	(15)	(39)	(17)	–	(71)
Disposals	3	8	7	10	28
Impairment	(1)	–	–	–	(1)
Translation adjustment	1	7	–	–	8
Balance at 31 December 2021	**(231)**	**(458)**	**(117)**	**(3)**	**(809)**
Carrying amount					
At 31 December 2021	**445**	**338**	**21**	**268**	**1,072**
At 31 December 2020	417	327	23	242	1,009

1. Accumulated depreciation and impairment balance at 1 January 2020 of $13 million within projects under construction relates to previous years impairment charges

Land is not subject to depreciation.

As at 31 December 2021, the Group had pledged property, plant and equipment with a carrying value of $8 million (2020: $9 million) as collateral for various long-term loans. This amount includes specific items in the net property, plant and equipment of the Group's businesses in Tunisia (2020: Tunisia).

Depreciation of $50 million (2020: $57 million) is included in the cost of sales, $16 million (2020: $10 million) in selling general and administrative expenses and $5 million (2020: $4 million) in research and development expenses.

As at 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $33 million (2020: $60 million).

As at 31 December 2021, the Group booked an impairment charge of $1 million (2020: $6 million impairment charge, $3 million was considered as exceptional item related to property, plant and equipment write off) (Notes 6 and 9).

18. Investments in joint ventures

The Group's share in Hubei Haosun Pharmaceutical Co Ltd (China) was 49% at 31 December 2021 (31 December 2020: 49%) with an investment balance of $10 million at 31 December 2021 (31 December 2020: $9 million) and share of the profit for the year ended 31 December 2021 of $1 million (2020: $nil).

Below table represent investment in joint ventures movement during the year.

	For the year ended 31 December 2021 $m	For the year ended 31 December 2020 $m
Balance at 1 January	**9**	11
Group's share of profit of joint ventures	**1**	–
Liquidation of HikmaCure	**–**	(2)
Balance at 31 December	**10**	9

Summarised financial information in respect of the Group's interests in Hubei Haosun Pharmaceuticals Co Ltd is set out below:

	As at 31 December 2021 $m	As at 31 December 2020 $m
Total assets	**24**	19
Total liabilities	**(6)**	(2)
Net assets	**18**	17
Group's share of net assets of joint ventures	**9**	8

	For the year ended 31 December 2021 $m	For the year ended 31 December 2020 $m
Total revenue	**8**	6
Net profit	**1**	1
Group's share of profit of joint ventures	**1**	–

19. Financial and other non-current assets

	As at 31 December	
	2021 $m	2020 $m
Investments at FVTOCI	**36**	25
Other non-current assets	**11**	14
	47	39

Investments at FVTOCI include eight investments through the Group's venture capital arm, Hikma International Ventures and Developments LLC and Hikma Ventures Limited, which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category.

During the year, the venture arm sold one of its investments, invested in two new companies and increased investment in four ventures. One of the investments is a listed company with a readily determinable fair value that falls under level 1 valuation (Note 29). Its value is measured at the share price market value. The other investments are unlisted shares without readily determinable fair values that fall under level 3 valuation (Note 29), their value is measured at cost minus any impairment, and adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

In 2021, total change in fair value was a gain of $14 million (2020: $2 million) recognised in the other comprehensive income.

Other non-current assets mainly represent long term receivables and a sublease arrangement in the US.

20. Inventories

	As at 31 December 2021 $m	2020 $m
Finished goods	245	283
Work-in-progress	92	95
Raw and packing materials	373	394
Goods in transit	24	44
Spare parts	38	33
Provision against Inventory[1]	(77)	(92)
	695	757

1. The cost of inventory related provision recognised as an expense in the cost of sales in the consolidated income statement was $48 million (2020: $57 million).

Inventories are stated net of provision as follows:

	As at 1 January $m	Additions $m	Utilisation $m	Translation adjustments $m	As at 31 December $m
Provisions against inventory in 2021	92	48	(62)	(1)	77
Provisions against inventory in 2020	85	57	(50)	–	92

21. Trade and other receivables

	As at 31 December 2021 $m	2020 (restated)[1] $m
Gross trade receivables	1,107	973
Chargebacks and other allowances	(275)	(256)
Related allowance for expected credit loss	(51)	(55)
Net trade receivables	781	662
VAT and sales tax recoverable	32	35
Other receivables	3	3
Net trade and other receivables[1]	816	700

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence at 31 December 2020 numbers have been restated reflecting $56 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $49 million. (see Note 23)

The fair value of receivables is estimated to be not significantly different from the respective carrying amounts.

21. Trade and other receivables continued

Trade receivables are stated net of provisions for chargebacks and expected credit loss allowance as follows:

	As at 31 December 2020 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	As at 31 December 2021 $m
Chargebacks and other allowances	256	2,160	(2,141)	–	275
Expected credit loss allowance	55	–	(3)	(1)	51
	311	2,160	(2,144)	(1)	326

	As at 31 December 2019 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	As at 31 December 2020 $m
Chargebacks and other allowances	280	1,865	(1,889)	–	256
Expected credit loss allowance	55	2	(1)	(1)	55
	335	1,867	(1,890)	(1)	311

More details on the Group's policy for credit and concentration risk are provided in Note 29.

At 31 December 2021, the provision balance relating to chargebacks was $201 million (2020: $184 million). The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag) of 40 days (2020: 40 days) and the estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products and estimated future sales trends. Based on the conditions existing at the balance sheet date, an increase/decrease in the estimate of in channel inventory by 1 day increases/decreases the provision by $5 million (2020: $5million), and if the overall chargeback rate of 55% (2020: 55%) increases/decreases by one percentage point the provision would increase/decrease by $4 million (2020: $3 million).

At 31 December 2021 the provision balance relating to customer rebates was $55 million (2020: $57 million). The key inputs and assumptions included in calculating this provision are historical relationships of rebates and payments to revenue, past payment experience, estimate of 'in channel' inventory at the wholesalers and estimated future trends. Based on the conditions existing at the balance sheet date, a ten basis point increase/decrease in the rebates rate of 6.5% (2020: 7.8%) would increase/decrease this provision by approximately $1 million (2020: $1 million).

22. Cash and cash equivalents

	As at 31 December 2021 $m	2020 $m
Cash at banks and on hand	155	85
Time deposits	249	203
Money market deposits	22	35
	426	323

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Money market deposits comprise investment in funds at FVTPL that are subject to insignificant risk of changes in fair value and can be readily converted into cash that fall under level 1 valuation (Note 29).

23. Other current assets

	As at 31 December 2021 $m	2020 (restated)[1] $m
Prepayments[1]	65	56
Investment at FVTPL	24	24
Others	8	22
	97	102

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence the 2020 numbers have been restated reflecting $56 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $49 million. (see Note 21)

Investment at FVTPL represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the consolidated income statement. These assets are classified as level 1 as they are based on quoted prices in active markets (Note 29).

Others balance at 31 December 2021, mainly represents compensation due from suppliers in relation to inventory price adjustment. The balance at 31 December 2020 mainly represents insurance compensation receivable of $10 million which was received during the year (Note 6), compensation due from suppliers in relation to inventory price adjustment of $5 million and revenue contract asset of $3 million.

24. Short-term financial debts

	As at 31 December 2021 $m	2020 $m
Bank overdrafts	3	3
Import and export financing	58	67
Short-term loans	3	47
Current portion of long-term loans (Note 28)	48	41
	112	158

	2021 %	2020 %
The weighted average interest rates incurred are as follows:		
Bank overdrafts	3.21	4.25
Bank loans (including the non-current bank loans)	2.83	3.04
Eurobond[1]	3.58	4.17
Import and export financing[2]	6.39	5.70

1. The Eurobond effective interest rate includes unwinding of discount amount and upfront fees
2. Import and export financing represents short-term financing for the ordinary trading activities of the Group

25. Trade and other payables

	As at 31 December 2021 $m	2020 $m
Trade payables	262	279
Accrued expenses	194	175
Other payables	12	16
	468	470

The fair value of payables is estimated to be not significantly different from the respective carrying amounts.

26. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Group subsidiaries including some immaterial amounts for defined benefit plans. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies. For defined benefit plans, changes in net liability due to actuarial valuations and changes in assumptions resulted in remeasurement loss of $2 million (2020: $1 million).

Movements on the provision for end of service indemnity:

	2021 $m	2020 $m
1 January	28	23
Additions	11	10
Remeasurement of post-employment benefit obligations	2	1
Utilisation	(10)	(6)
At 31 December	31	28

27. Other current liabilities

	As at 31 December 2021 $m	2020 $m
Contract liability	213	162
Co-development and earnout payment (Notes 29 and 30)	2	2
Acquired contingent liability (Note 30)	15	18
Contingent consideration (Notes 29 and 30)	12	13
Indirect rebate and other allowances	80	74
Others	17	21
	339	290

Contract liabilities: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

At 31 December 2021, the provision balance relating to returns was $193 million (2020: $154 million). The key assumptions included in calculating this provision are estimations of revenue estimated to be subject to returns and the estimated returns rate of 1.74% (2020: 1.47%) as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors, and changes to contractual terms. Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in the returns and allowances rate would increase/decrease this provision by approximately $11 million (2020: $8 million).

	As at 31 December 2020 $m	Additions $m	Utilisation $m	**As at 31 December 2021 $m**
Contract liabilities	162	132	(81)	213

	As at 31 December 2019 $m	Additions $m	Utilisation $m	As at 31 December 2020 $m
Contract liabilities	142	127	(107)	162

During the year ended 31 December 2021, $8 million (2020: $8 million) revenue was recognised from transferring free goods to the customers.

Indirect rebates and other allowances: mainly represent rebates granted to healthcare authorities and other parties under contractual arrangements with certain indirect customers.

At 31 December 2021 the provision balance relating to the indirect rebates was $56 million (2020: $55 million). The key inputs and assumptions included in calculating this provision are historical relationships of rebates and payments to revenue, past payment experience, estimate of 'in channel' inventory at the wholesalers and estimated future trends. Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in rebates rate of 2.1% (2020: 2.7%) would increase/decrease this provision by approximately $3 million (2020: $2 million).

28. Long-term financial debts

	As at 31 December 2021 $m	2020 $m
Long-term loans	**207**	242
Long-term borrowings (Eurobond)	**492**	491
Less: current portion of long-term loans (Note 24)	**(48)**	(41)
Long-term financial loans	**651**	692
Breakdown by maturity:		
Within one year	**48**	41
In the second year	**44**	48
In the third year	**37**	44
In the fourth year	**524**	36
In the fifth year	**23**	522
In the sixth year	**22**	21
Thereafter	**1**	21
	699	733
Breakdown by currency:		
US dollar	**620**	642
Euro	**44**	54
Jordanian dinar	**10**	13
Algerian dinar	**13**	14
Saudi riyal	**9**	9
Moroccan dirham	**3**	–
Tunisian dinar	**–**	1
	699	733

The loans are held at amortised cost.

Long-term loans amounting to $0.5 million (31 December 2020: $1 million) are secured on certain property, plant and equipment.

Major arrangements entered into by the Group were:

a) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. From the $1,175 million, $175 million matured on 24 December 2019, $130 million matured on January 2021 and the remaining $870 million matures on 24 December 2023. At 31 December 2021 the facility has an outstanding balance of $nil (2020: $nil) and a $870 million unused available limit (2020: $1,000 million). On 29 December 2021 the facility agreement has been increased to $1,150 million available for 5 years till Jan 2027 effective from 4 January 2022 with an extension options for additional 2 years. The facility can be used for general corporate purposes

b) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was full utilisation of the loan since April 2020. Quarterly equal repayments of the long-term loan have commenced on 15 March 2021. The loan was used for general corporate purposes. The facility matures on 15 December 2027

c) Hikma issued a $500 million (carrying value at 31 December 2021 of $492 million, and fair value at 31 December 2021 of $515 million) 3.25%, five-year Eurobond on 9 July 2020 with a rating of (BBB-/Ba1) which is due in July 2025. The proceeds of the issuance were $494 million which were used for general corporate purposes

d) An eight-year $200 million loan facility from the International Finance Corporation and Managed Co-lending Portfolio program was entered into on 26 October 2020. There was no utilisation of the loan as of December 2021. The facility matures on 15 September 2028 and can be used for general corporate purposes

29. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for expected credit loss, chargebacks, and other allowances. A provision for impairment is made based on expected credit losses which are estimated based on previous experience, current events and forecasts of future conditions. A loan or receivable is considered impaired when there is no reasonable expectation of recovery, or when a debtor fails to make a contractual payment for a specific period which varies based on the type of debtor and the market in which they operate.

The credit risk on liquid investments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2021, the Group's largest two customers in the MENA region represented 5.6% of Group revenue (2020: 6.2%), 4.3% from one customer in Saudi Arabia (2020: 4.1%), and 1.3% from one customer in Egypt (2020: 2.1% from a customer in Saudi Arabia). At 31 December 2021, the amount of receivables due from all customers based in Saudi Arabia was $102 million (2020: $78 million) and the amount of receivables due from all customers based in Egypt was $57 million (2020: $42 million).

During the year ended 31 December 2021, three key US wholesalers represented 38% of Group revenue (2020: 35%). The amount of receivables due from all US customers at 31 December 2021 was $332 million (2020: $285 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days, and in MENA 180 to 360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

The following table provides a summary of the age of trade receivables (Note 21):

At 31 December 2021	**Not past due on the reporting date $m**	**Past due: Less than 90 days $m**	**Between 91 and 180 days $m**	**Between 181 and 360 days $m**	**Over one year $m**	**Total $m**
Expected credit loss rate	**0.01%**	**0.05%**	**11.1%**	**14.3%**	**53.4%**	**4.7%**
Gross trade receivables as at 31 December 2021	**910**	**72**	**9**	**28**	**88**	**1,107**
Related allowance for expected credit loss	**–**	**–**	**(1)**	**(4)**	**(46)**	**(51)**
Chargebacks and other allowances	**(275)**	**–**	**–**	**–**	**–**	**(275)**
Net trade receivables	**635**	**72**	**8**	**24**	**42**	**781**

At 31 December 2020	Not past due on the reporting date $m	Past due: Less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	Total $m
Expected credit loss rate	0.01%	4.0%	5.9%	12.5%	57.6%	5.7%
Gross trade receivables as at 31 December 2020	780	75	17	16	85	973
Related allowance for expected credit loss	–	(3)	(1)	(2)	(49)	(55)
Chargebacks and other allowances	(256)	–	–	–	–	(256)
Net trade receivables	524	72	16	14	36	662

29. Financial policies for risk management and their objectives continued

Market risk

The Group is exposed to foreign exchange and interest rate risks. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments, if needed.

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, whilst reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants, and borrowing ratios.

The Group defines capital as equity plus net debt which includes long and short-term financial debts (Notes 24 and 28), lease liabilities (Note 33), net of cash and cash equivalents (Note 22) and collateralised and restricted cash. Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Notes 27 and 30).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management, and consolidated balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2021, the Group's gearing ratio (total debt/equity) was 34% (2020: 43%). The decrease in the Group's gearing ratio is due to the increase in the Group total equity as a result of the profits generated during the year and the decrease of the total debts.

Cash management

The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet its risk appetite.

Foreign exchange risk and currency risk

The Group uses the US dollar as its reporting currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian dinar, Sudanese pound, Japanese yen, Egyptian pound, Tunisian dinar, Lebanese pound and Moroccan dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian dinar, the Sudanese pound, the Tunisian dinar, the Moroccan dirham and the Egyptian pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian dinar and the Saudi riyal had no impact on the consolidated income statement as those currencies are pegged against the US dollar.

Lebanon and Sudan were considered to be hyperinflationary economies in the year ended 31 December 2021. When translating their results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. At 31 December 2021, the Lebanese pound rate was 1,507.5 per US dollar, and the Sudanese pound rate was 436.28 per US dollar.

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

29. Financial policies for risk management and their objectives continued

The currencies that have a significant impact on the Group accounts and the exchange rates used are as follows:

	Period-end rates 2021	Period-end rates 2020	Average rates 2021	Average rates 2020
US dollar /Euro	**0.880**	0.824	**0.845**	0.876
US dollar /Sudanese pound[1]	**436.280**	120.000	**–[1]**	–[1]
US dollar /Algerian dinar	**138.719**	132.212	**135.097**	126.799
US dollar /Saudi riyal	**3.750**	3.750	**3.750**	3.750
US dollar /Pound sterling	**0.739**	0.731	**0.727**	0.779
US dollar /Jordanian dinar	**0.709**	0.709	**0.709**	0.709
US dollar /Egyptian pound	**15.655**	15.664	**15.634**	15.745
US dollar /Japanese yen	**115.080**	103.200	**109.805**	106.770
US dollar /Moroccan dirham	**9.280**	8.905	**8.992**	9.502
US dollar /Tunisian dinar	**2.887**	2.705	**2.802**	2.812
US dollar /Lebanese pound[2]	**1,507.500**	1,507.500	**–[2]**	–[2]

1. In both years, Sudan has been a hyperinflationary economy and Sudanese operations were translated using the period end rate
2. In both years, Lebanon has been a hyperinflationary economy and Lebanese operations were translated using the period end rate

2021	**Net foreign currency financial assets/(liabilities) US dollar $m**	**Euro $m**	**Japanese yen $m**	**Others[1] $m**
Functional currency of entity:				
– Jordanian dinar	**241**	**21**	**(6)**	**17**
– Euro	**30**	**–**	**–**	**–**
– Algerian dinar	**(2)**	**–**	**–**	**–**
– Saudi riyal	**7**	**(10)**	**–**	**–**
– Sudanese pound	**(31)**	**–**	**–**	**–**
– Egyptian pound	**(12)**	**1**	**–**	**–**
– Tunisian dinar	**1**	**3**	**–**	**5**
– Moroccan dirham	**(5)**	**(4)**	**–**	**–**
– Lebanese pound	**–**	**–**	**–**	**5**
	229	**11**	**(6)**	**27**

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

2020	Net foreign currency financial assets/(liabilities) US dollar $m	Euro $m	Japanese yen $m	Others[1] $m
Functional currency of entity:				
– Jordanian dinar	279	12	(6)	7
– Euro	32	–	–	–
– Algerian dinar	(5)	–	–	–
– Saudi riyal	7	(5)	–	–
– Sudanese pound	(26)	–	–	–
– Egyptian pound	(14)	–	–	–
– Tunisian dinar	1	1	–	2
– Moroccan dirham	(4)	(5)	–	–
– Lebanese pound	(4)	(1)	–	3
– US dollar	–	3	–	2
	266	5	(6)	14

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

29. Financial policies for risk management and their objectives continued

A sensitivity analysis based on a 10% movement in foreign exchange rates would result in a $26 million translational increase/decrease on the Group results.

The Group sets certain limits on liquid funds per currency (other than the US dollar) and per country.

Interest rate risk

	As at 31 December 2021 Fixed rate $m	Floating rate $m	Total $m	As at 31 December 2020 Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	672	91	763	704	146	850
Lease liabilities	83	–	83	82	–	82
Financial assets						
Cash and cash equivalents	–	271	271	–	238	238

An interest rate sensitivity analysis assumes an instantaneous one percentage point change in interest rates in all currencies from their levels at 31 December 2021, with all other variables held constant. Based on the composition of the Group's net debt portfolio as at 31 December 2021, a one percentage point increase/decrease in interest rates would result in $2 million decrease/increase in net finance cost per year (2020: $1 million increase/decrease).

As at 31 December 2021, $0.05 million (2020: $47 million) of the Group's utilised debt portfolio as well as $1,243 million (2020: $1,314 million) of the Group's unutilised debt facilities, have USD LIBOR as the benchmark interest rate. The unutilised debt facilities mainly relate to:

- The Group's syndicated revolving credit facility of $870 million (2020: $1,000 million) (Note 28)
- The International Finance Corporation loan of $200 million (2020: $200 million) (Note 28)
- Other smaller facilities

The Group has not identified any other IBOR exposures that are expected to be impacted by IBOR reform. Discussions on IBOR transitioning is ongoing with counterparties, while monitoring the market developments surrounding the IBOR reform.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying value which approximates to their fair value:

- Cash at bank and on hand, time deposit and collateralised and restricted cash – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- Short-term loans and overdrafts approximate to their fair value because of the short maturity of these instruments
- Long-term loans –loans with variable rates are re-priced in response to any changes in market rates and so management considers their carrying values to be not significantly different from their fair values

Loans with fixed rates relate mainly to:

- $500 million (carrying value at 31 December 2021 of $492 million, and fair value at 31 December 2021 of $515 million) Eurobond accounted for at amortised cost. The fair value is determined with reference to a quoted price in an active market as at the balance sheet date (a level 1 fair value) (Note 28)
- A ten-year $150 million loan from the International Finance Corporation with outstanding balance of $127 million (fair value at 31 December 2021 of $127 million). Fair value is estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities of such loans (a level 2 fair value)
- Receivables and payables – the fair values of receivables and payables are estimated to not be significantly different from the respective carrying amounts

Management classifies items that are recognised at fair value based on the level of the inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

29. Financial policies for risk management and their objectives continued

The following financial assets/liabilities are presented at their fair value:

Fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at FVTPL (Note 23)	24	–	–	24
Money market deposit (Note 22)	22	–	–	22
Investments in listed companies at FVTOCI (Note 19)	14	–	–	14
Investments in unlisted shares at FVTOCI (Note 19)	–	–	22	22
Total financial assets	60		22	82
Financial Liabilities				
Co-development and earnout payment liabilities (Note 27 and 30)	–	–	4	4
Contingent consideration liability resulting from the acquisition of the Columbus business (Note 27 and 30)	–	–	70	70
Total financial liabilities	–	–	74	74

Fair value measurements At 31 December 2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at FVTPL (Note 23)	24	–	–	24
Money market deposit (Note 22)	35	–	–	35
Investments in unlisted shares at FVTOCI (Note 19)	–	–	25	25
Total financial assets	59		25	84
Financial Liabilities				
Co-development and earnout payment liabilities (Note 27 and 30)	–	–	5	5
Contingent consideration liability resulting from the acquisition of the Columbus business (Note 27 and 30)	–	–	89	89
Total financial liabilities	–	–	94	94

29. Financial policies for risk management and their objectives continued

The following table presents the changes in Level 3 items for the year ended 31 December 2021 and the year ended 31 December 2020:

	Financial assets $m	Financial liabilities $m
1 January 2020	18	178
Settled	–	(61)
Remeasurement of contingent consideration and other financial liability recognised in finance income	–	(38)
Unwinding of contingent consideration and other financial liability recognised in finance expense	–	15
Additions	5	–
Change in investments at FVTOCI	2	–
Balance at 31 December 2020 and 1 January 2021	**25**	**94**
Settled	**–**	**(4)**
Remeasurement of contingent consideration and other financial liability recognised in finance income	**–**	**(29)**
Unwinding of contingent consideration and other financial liability recognised in finance expense	**–**	**13**
Change in fair value of investments at FVTOCI	**24**	**–**
Additions	**3**	**–**
Sale of investment at FVTOCI	**(30)**	**–**
Balance at 31 December 2021	**22**	**74**

Contingent consideration liability represents contractual liability to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition.

The critical areas of estimates in relation to the valuation of the contingent consideration are the probabilities assigned to reaching the success-based milestones and management's estimate of future sales. The valuation for the payments that are based on future sales is based on a discounted cash flow model applied to projected future sales for a period of 15 years using a post-tax discount rate of 8%. The key assumption used for this valuation is the sales projections informed by pricing and volume assumptions which were determined using probability weighted average of different possibilities on sales growth rates. The valuation for milestone payment is based on 100% probability of success-based milestone discounted using discount rate of 6.9%.

If the future sales were 5% higher or lower, the fair value of the contingent consideration will increase/decrease by $4 million (2020: $4 million) (Notes 27 and 30).

If the probability assigned to reaching the success-based milestones were 5% lower, the fair value of the contingent consideration will decrease by $1 million (2020: $1 million) (Notes 27 and 30).

Liquidity risk

2021	Less than one year $m	One to five years $m	More than five years $m	Total $m
Interest-bearing long-term loans and borrowings[1] (Note 28)	(70)	(710)	(23)	(803)
Interest-bearing short-term loans and borrowings[1] (Note 24)	(3)	–	–	(3)
Interest-bearing overdrafts[1] (Note 24)	(3)	–	–	(3)
Interest-bearing import and export loans[1] (Note 24)	(60)	–	–	(60)
Interest bearing finance lease[1] (Note 33)	(12)	(36)	(71)	(119)
Trade payables and accruals (Note 25)	(456)	–	–	(456)
Co-development and earnout payment[1] (Notes 27 and 30)	(2)	(3)	–	(5)
Acquired contingent liability (Notes 27 and 30)	(15)	(38)	(30)	(83)
Contingent consideration[1] (Notes 27 and 30)	(12)	(49)	(27)	(88)
	(633)	(836)	(151)	(1,620)

1. As these are interest-bearing liabilities, expected interest expense have been included in the balance

29. Financial policies for risk management and their objectives continued

2020	Less than one year $m	One to five years $m	More than five years $m	Total $m
Interest-bearing long-term loans and borrowings[1] (Note 28)	(64)	(728)	(42)	(834)
Interest-bearing short-term loans and borrowings[1] (Note 24)	(47)	–	–	(47)
Interest-bearing overdrafts[1] (Note 24)	(2)	–	–	(2)
Interest-bearing import and export loans[1] (Note 24)	(69)	–	–	(69)
Interest bearing finance lease[1] (Note 33)	(10)	(49)	(49)	(108)
Trade payables and accruals (Note 25)	(454)	–	–	(454)
Co-development and earnout payment[1] (Notes 27 and 30)	(2)	(3)	–	(5)
Acquired contingent liability (Notes 27 and 30)	(18)	(46)	(27)	(91)
Contingent consideration[1] (Notes 27 and 30)	(13)	(72)	(26)	(111)
	(679)	(898)	(144)	(1,721)

1. As these are interest-bearing liabilities, expected interest expense have been included in the balance

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs. This is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2021, the Group had undrawn facilities of $1,413 million (2020: $1,549 million). Of these facilities, $1,086 million (2020: $1,232 million) were committed long term facilities.

30. Other non-current liabilities

	As at 31 December 2021 $m	2020 $m
Contingent consideration (Note 27 and 29)	**58**	76
Acquired contingent liability (Note 27)	**68**	80
Co-development and earnout payment (Notes 27 and 29)	**2**	3
Others	**12**	5
	140	164

Contingent consideration and acquired contingent liabilities represent contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition (see Note 29 for sensitivity analysis). In 2021, $14 million (2020: $15 million) of this balance was reclassified to other current liabilities.

31. Share capital

Issued and fully paid – included in shareholders' equity:

	As at 31 December 2021 Number	2021 $m	2020 Number	2020 $m
Ordinary Shares of 10p each	**244,331,288**	**42**	243,332,180	41

At 31 December 2021, of the issued share capital, 12,833,233 (2020: 12,833,233) are held as Treasury shares, nil (2020: 40,831) shares are held in the Employee Benefit Trust (EBT) and 231,498,055 (2020: 230,458,116) shares are in free issue.

Own Shares

Treasury Shares

Hikma holds 12,833,233 as Treasury shares related to the Share buyback of its own shares previously held by Boehringer Ingelheim GmbH (BI) for £23.00/share ($28.76/share). The voting rights attached to the Treasury shares are not capable of exercise. The market value of the Treasury shares held at 31 December 2021 was $385 million (2020: $442 million). The book value of the Treasury shares at 31 December 2021 are $368 million (2020: $368 million).

31. Share capital continued

Shares held in EBT
EBT of Hikma holds nil (2020: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Apex Financial Services (Trust Company) Limited an independent trustee. The market value of the Ordinary Shares held in the EBT at 31 December 2021 was $nil (2020: $1 million). The book value of the retained own shares at 31 December 2021 are $nil (2020: $1 million). During the year, the Ordinary Shares held in the EBT were used to satisfy long-term commitments arising from the employee share plans operated by the Company.

32. Non-controlling interests

	2021 $m	2020 $m
At 1 January	13	12
Share of losses	(1)	(1)
Dividends paid	(1)	(1)
Currency translation and hyperinflation movement	3	3
At 31 December	14	13

33. Right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets recognised and the movements during the year:

	Buildings $m	Vehicles $m	Machinery and Equipment $m	Total $m
As at 1 January 2020	43	6	1	50
Additions	19	6	–	25
Sub-lease reclassification to financial and other non-current assets (Note 19)	(4)	–	–	(4)
Impairment charge	(1)	–	–	(1)
Depreciation expense	(7)	(4)	–	(11)
As at 31 December 2020 and 1 January 2021	50	8	1	59
Additions	27	4	–	31
Lease buyout	(4)	–	–	(4)
Depreciation expense	(7)	(4)	(1)	(12)
As at 31 December 2021	66	8	–	74

The carrying amounts of lease liabilities and the movements during the year:

	2021 $m	2020 $m
As at 1 January	82	68
Additions	32	24
Accretion of interest	5	4
Payments	(36)	(14)
As at 31 December	83	82
Current	9	10
Non-current	74	72

33. Right-of-use assets and lease liabilities continued

The maturity analysis of lease liabilities:

	2021 $m	2020 $m
Breakdown by maturity:		
Within one year	9	10
In the second year	7	6
In the third year	7	6
In the fourth year	6	24
In the fifth year	3	4
In the sixth year	2	2
Thereafter	49	30
	83	82

At 31 December 2021, lease liabilities included optional extension periods amounting to $39 million (2020: $13 million).

The following are the amounts recognised in the consolidated income statement:

	2021 $m	2020 $m
Depreciation expense of right-of-use assets	(12)	(11)
Impairment of right-of-use assets	–	(1)
Interest expense on lease liabilities	(5)	(4)
Expense relating to short-term leases	(1)	(1)
Total amount recognised in the consolidated income statement	(18)	(17)

34. Cash generated from operating activities

	2021 $m	2020 $m
Profit before tax	544	558
Adjustments for:		
Depreciation, amortisation, impairment charges/reversals and write-down of:		
Property, plant and equipment	72	77
Intangible assets	61	2
Right of Use of Assets	12	12
Gain from investment at FVTPL	–	(1)
Loss on disposal/damage of property, plant and equipment	1	2
Movement in provisions	2	4
Cost of equity-settled employee share scheme	29	27
Finance income	(30)	(47)
Interest and bank charges	69	69
Results from joint venture	1	–
Foreign exchange loss and net monetary hyperinflation impact	36	30
Changes in working capital:		
Change in trade and other receivables	(166)	(47)
Change in other current assets	27	(14)
Change in inventories	38	(180)
Change in trade and other payables	14	6
Change in other current liabilities	62	41
Change in other non-current liabilities	(5)	(14)
Cash flow from operating activities	767	525

35. Reconciliation of net cash flow to movement in net debt

Below table represent a reconciliation of net cash flow to movement in net debt:

	2021 $m	2020 $m
Interest-bearing loans and borrowings (Notes 24 and 28)		
Balance at 1 January	**850**	617
Proceeds from issue of long-term financial debts	**10**	1,543
Proceeds from issue of short-term financial debts	**383**	430
Repayment of long-term financial debts	**(45)**	(1,372)
Repayment of short-term financial debts	**(431)**	(367)
Amortisation of upfront fees	**3**	–
Foreign exchange translation movements	**(7)**	(1)
Balance at 31 December	**763**	850
Lease liabilities (Note 33)		
Balance at 1 January	**82**	68
New leases	**32**	24
Repayment of lease liabilities	**(31)**	(10)
Balance at 31 December	**83**	82
Total Debt	**846**	932
Cash and cash equivalents (Note 22)	**(426)**	(323)
Collateralised and restricted cash	**–**	(4)
Net debt	**420**	605

36. Contingent liabilities

Guarantees and letters of credit

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $45 million (31 December 2020: $41 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

A contingent liability existed at the balance sheet date for a standby letter of credit totalling $10 million (2020: $8 million) for a potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors. It's not probable that the repayment will be made by the intercompany guarantors.

Legal Proceedings

The Group is involved in a number of legal proceedings in the ordinary course of its business, including actual or threatened litigation and actual or potential government investigations relating to employment matters, product liability, commercial disputes, pricing, sales and marketing practices, infringement of IP rights, the validity of certain patents and competition laws.

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and/or an estimate of the amount of any loss is difficult to ascertain. It is the Group's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

- In 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. In 2017, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. Hikma denies having engaged in any conduct that would give rise to liability with respect to these demands but is cooperating with all such demands. At this point, management does not believe sufficient evidence exists to make any provision for this
- Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, as well as several individual direct purchasers opt-out plaintiffs (including two products). These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the generic drug products named, have been brought against Hikma and various other defendants. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various state laws. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defense of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this
- Starting in June 2020, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of Xyrem® against Hikma and other defendants. These complaints allege that Jazz Pharmaceuticals PLC and its subsidiaries entered into unlawful reverse payment agreements with each of the defendants, including Hikma, in settling patent infringement litigation over Xyrem®. The plaintiffs in these lawsuits seek treble damages and a permanent injunction. Hikma denies having engaged in conduct that would give rise to liability with respect to these lawsuits and is vigorously pursuing defence of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this

36. Contingent liabilities continued

- Numerous complaints have been filed with respect to Hikma's sales, and distribution, or manufacture of opioid products. Those complaints now total approximately 682 in number. These lawsuits have been filed against distributors, branded pharmaceuticals manufacturers, pharmacies, hospitals, generic pharmaceuticals manufacturers, individuals, and other defendants by a number of cities, counties, states, other governmental agencies and private plaintiffs in both state, and federal, and Canadian provincial courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defense of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this
- In November 2020, Amarin Pharmaceuticals filed a patent infringement lawsuit against Hikma in the United States District Court for the District of Delaware (No. 20-cv-1630) alleging that Hikma's sales and distribution of its generic icosapent ethyl product infringes three Amarin patents that describe certain methods of using icosapent ethyl. Amarin sought an injunction barring Hikma from selling its generic product as well as unspecified damages. Hikma's product is not approved for the patented methods but rather is approved only for a different indication not covered by any valid patents. In January 2022 the court dismissed the lawsuit against Hikma, and as of this writing Amarin has not sought to appeal the court's dismissal. Hikma denies the allegations and will vigorously defend against them if necessary. Management does not believe sufficient evidence exists to make any provision for these issues

Tax

In April 2019, the European Commission released its decision that certain tax exemptions offered by the UK authorities could constitute State Aid and where this is the case, the relevant tax will need to be paid to the UK tax authorities. The UK Government has subsequently appealed against this decision. In common with other UK headquartered international companies whose arrangements were in line with current UK CFC legislation, Hikma could have been affected by the outcome of this decision and had estimated the maximum potential liability to be approximately $2.4 million.

In 2021, formal letters of confirmations were received from HMRC that confirmed that Hikma is not a beneficiary of State Aid in accordance with the European Commission's decision and the UK's Controlled Foreign Company legislation. Following HMRC's confirmation, Hikma no longer requires a contingent liability in this regard.

37. Share-based payments

Executive incentive plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) scheme. Under the EIP, the Company makes grants of conditional awards under elements B and C to the Executive Directors and senior executives of the Group. Awards under all elements are dependent on the achievement of individual and Group KPIs over one year prior to grant. The shares awarded under element B are not released for a period of two years during which they are subject to forfeiture conditions. The shares awarded under element C are not released for a period of three years but are not subject to a forfeiture condition. Members of the Executives Committee must retain 100% of the shares received from elements B and C for a period of five years from the date of grant.

Details of the outstanding grants under this plan are shown below:

Year 2021	**2021 grants 25 Feb**	**2021 grants 25 Feb**	**2020 grants 27 Feb**	**2020 grants 27 Feb**	**2019 grants 17 May**	**2019 grants 12 March**	**2019 grants 12 March**	**2018 grants 16 May**	**2017 grants 13 Apr**	**2016 grants 11 May**	**2016 grants 17 March**	**2015 grants 10 April**	**Total Number**
Beginning balance	–	–	184,355	550,745	216,834	280,529	313,288	140,484	50,107	13,171	51,350	12,012	1,812,875
Granted during the year	157,644	432,098	–	–	–	–	–	–	–	–	–	–	589,742
Exercised during the year	–	–	–	(16,496)	(205,463)	–	(313,288)	(126,273)	–	–	–	–	(661,520)
Expired during the year	–	(8,370)	–	(22,796)	(11,371)	–	–	–	–	–	–	–	(42,537)
Outstanding at 31 December	**157,644**	**423,728**	**184,355**	**511,453**	**–**	**280,529**	**–**	**14,211**	**50,107**	**13,171**	**51,350**	**12,012**	**1,698,560**
Exercisable at 31 December	–	–	–	–	–	–	–	14,211	50,107	13,171	51,350	12,012	140,851
Weighted average remaining contractual life (years)	2.15	1.15	1.16	0.16	–	0.19	–	6.38	5.36	4.36	4.21	3.28	0.56

Year 2020	2020 grants 27 Feb	2020 grants 27 Feb	2019 grants 17 May	2019 grants 12 March	2019 grants 12 March	2018 grants 16 May	2017 grants 13 Apr	2016 grants 11 May	2016 grants 17 March	2015 grants 10 April	Total Number
Beginning balance	–	–	246,076	280,529	313,288	503,460	196,918	18,171	51,350	24,024	1,633,816
Granted during the year	184,355	561,994	–	–	–	–	–	–	–	–	746,349
Exercised during the year	–	(11,249)	(29,242)	–	–	(362,976)	(146,811)	(5,000)	–	(12,012)	(567,290)
Outstanding at 31 December	184,355	550,745	216,834	280,529	313,288	140,484	50,107	13,171	51,350	12,012	1,812,875
Exercisable at 31 December	–	–	–	–	–	26,982	50,107	13,171	51,350	12,012	153,622
Weighted average remaining contractual life (years)	2.16	1.16	0.38	1.19	0.19	7.38	6.36	5.36	5.21	4.28	1.80

37. Share-based payments continued

The cost of the EIP of $20 million (2020: $18 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period. Valuation is based on the Black-Scholes methodology for nil-cost options.

The weighted average share price for 2021 is $32.60 (2020: $30.24).

The details of fair value of the outstanding shares are shown below:

	Date of grant	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividend yield %
EIP 1	10/04/2015	338,808	32.78	33.24	0.81%
EIP 3 B	17/03/2016	242,608	26.21	26.98	0.71%
EIP 3 C	17/03/2016	206,267	26.21	26.98	0.71%
EIP 4	11/05/2016	165,553	31.69	32.15	0.73%
EIP 5 B	13/04/2017	428,528	23.52	23.98	0.97%
EIP 5 C	13/04/2017	184,741	23.29	23.98	0.97%
EIP 6 B	16/05/2018	440,231	18.45	19.09	1.71%
EIP 6 C	16/05/2018	113,456	18.14	19.09	1.71%
EIP7 B	12/03/2019	313,288	21.00	21.75	1.79%
EIP7 C	12/03/2019	208,529	20.63	21.75	1.79%
EIP8	17/05/2019	246,076	21.41	22.18	1.79%
EIP9	12/03/2019	72,000	20.63	21.75	1.79%
EIP 10 B	27/02/2020	561,994	24.10	24.91	1.67%
EIP 10 C	27/02/2020	184,355	23.70	24.91	1.67%
EIP 11 B	25/02/2021	432,098	32.17	33.09	1.43%
EIP 11 C	25/02/2021	157,644	31.71	33.09	1.43%

The exercise price of the share award is $nil.

Management incentive plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting and the 2018 MIP was approved by shareholders at the 2018 Annual General Meeting. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two-year holding period.

Details of the outstanding grants under this plan are shown below:

Year 2021	**2021 grants 25 Feb Number**	**2020 grants 27 Feb Number**	**2019 grants 17 May Number**	**2018 grants 16 May Number**	**2017 grants 19 May Number**	**2016 grants 11 May Number**	**2015 grants 14 May Number**	**2014 grants 11 June Number**	**2013 grants 17 May Number**	**Total Number**
Outstanding at 1 January	–	377,913	394,263	17,445	36,990	8,254	8,854	5,890	3,013	852,622
Granted during the year	341,422	–	–	–	–	–	–	–	–	341,422
Exercised during the year	(1,376)	(4,118)	(363,799)	(3,922)	(1,106)	(1,564)	(1,209)	–	(1,325)	(378,419)
Expired during the year	(2,559)	(15,546)	(30,464)	(325)	–	–	–	–	–	(48,894)
Outstanding at 31 December	**337,487**	**358,249**	**–**	**13,198**	**35,884**	**6,690**	**7,645**	**5,890**	**1,688**	**766,731**
Exercisable at 31 December	–	–	–	13,198	35,884	6,690	7,645	5,890	1,688	70,995
Weighted average remaining contractual life (years)	1.15	0.16	–	6.38	5.38	4.36	3.37	2.45	1.38	1.04

37. Share-based payments continued

Year 2020	2020 grants 27 Feb Number	2019 grants 17 May Number	2018 grants 16 May Number	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	408,243	400,870	36,990	8,254	8,854	5,890	3,013	872,114
Granted during the year	381,546	–	–	–	–	–	–	–	381,546
Exercised during the year	(776)	(6,832)	(376,560)	–	–	–	–	–	(384,168)
Expired during the year	(2,857)	(7,148)	(6,865)	–	–	–	–	–	(16,870)
Outstanding at 31 December	377,913	394,263	17,445	36,990	8,254	8,854	5,890	3,013	852,622
Weighted average remaining contractual life (years)	1.16	0.38	7.38	6.38	5.36	4.37	3.45	2.38	1.24

The cost of the MIP of $9 million (2020: $9 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses, cost of sales and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period. Valuation is based on the Black-Scholes methodology for nil-cost options.

The weighted average share price for 2021 is $32.60 (2020: $30.24).

The details of fair value of the outstanding shares are shown below:

	Date of grant	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividend yield %
MIP 5	17/05/2013	252,482	14.61	14.93	1.10
MIP 6	11/06/2014	225,904	27.73	28.33	0.71
MIP 7	14/05/2015	145,918	32.17	32.63	0.71
MIP 8	11/05/2016	196,373	31.73	32.20	0.73
MIP 9	19/05/2017	273,724	22.09	22.54	1.01
MIP 10	16/05/2018	443,288	18.45	19.09	1.71
MIP 11	17/05/2019	436,107	21.41	22.18	1.79
MIP 12	27/02/2020	381,546	24.10	24.91	1.67
MIP 13	25/02/2021	341,422	32.17	33.09	1.43

The exercise price of the share award is $nil.

38. Related parties

Transactions between Hikma Pharmaceuticals PLC (Hikma) and its subsidiaries (together, the Group) have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its joint ventures and other related parties are disclosed below.

Trading transactions:

During the year ended 31 December 2021, the Group entered into the following transactions with related parties:

Darhold Limited (Darhold): is a related party of Hikma because three Directors of Hikma jointly constitute the majority of Directors and shareholders (with immediate family members) in Darhold and because Darhold owns 24.56% (2020: 24.66%) of the share capital and 25.92% (2020: 26.03%) voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Hubei Haosun Pharmaceutical Co. Ltd (Haosun): is a related party of Hikma because the Group holds a non-controlling interest of 49% in the joint venture (JV) with Haosun (2020: 49%). During the year, total direct purchases from Haosun were $nil million (2020: $1.1 million). At 31 December 2021, the amount owed from the Group to Haosun amounted to $nil (2020: $0.1 million). In addition, in certain countries the Group purchases from Haosun indirectly. During the year total indirect purchases from Haosun were $0.7 million (2020: $1.1 million).

Labatec Pharma (Labatec): is a related party of the Group because Labatec is owned by the family of two Directors of Hikma. During the year, total Group sales to Labatec amounted to $2 million (2020: $3 million), and total Group purchases amounted to $0.5 million (2020: $0.6 million). As at the year end, the amount owed by Labatec to the Group was $0.6 million (2020: $0.7 million).

Al Tibbi: is a related party of the Group because it is jointly controlled by a direct relation of a senior executive member of the Group and Dash Ventures, in which two Directors of the Group have a controlling interest. During the year ended 31 December 2020, the Group requested that Al Tibbi provide patient referral services in response to COVID measures in Jordan. Total transactions with Al Tibbi was $0.03 million (2020: $0.4 million) and the amount owed by the Group to Al Tibbi was $nil (2020: $0.2 million).

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive Directors, Non-Executive Directors and the senior management as set out in the Governance report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee report on pages 89 to 110.

	2021 $m	2020 $m
Short-term employee benefits	**18.0**	19.9
Share-based payments	**12.9**	11.1
Post-employment benefits	**0.1**	0.3
Other benefits	**0.6**	0.7
	31.6	32.0

39. Subsidiaries and joint ventures

The subsidiaries and joint venture of Hikma Pharmaceuticals PLC are as follows:

Company's name	Incorporated in	Address of the registered office	Owned by the Group **Ownership % Ordinary shares At 31 December 2021**	Ownership% Ordinary shares At 31 December 2020
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	97%	97%
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%
Hubei Haosun Pharmaceutical Co Ltd	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	49%	49%
Hikma Canada Limited	Canada	Blaney McMurtry LLP, Suite 15000 2 Queen Street, Toronto ON M5C 3G5	100%	100%
Hikma Pharma S.A.E	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	100%	100%
Hikma Pharmaceuticals Industries S.A.E	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	100%	100%
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	10 D, 11 D, Industrial Zone, Badr City, Cairo, Egypt	98%	98%
Hikma for Importation Co. LLC	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	99%	100%
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Germany	100%	100%
Hikma Finance (Ireland) Limited	Ireland	2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland	–	100%
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%
Hikma Pharma Limited* [1]	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%
Arab Medical Containers LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%
Arab Pharmaceutical Manufacturing PSC	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%
Future Pharmaceutical Industries LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	–	100%
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Investment LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma United Renewable Energy	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	–	100%

39. Subsidiaries and joint venture continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group **Ownership % Ordinary shares At 31 December 2021**	Ownership % Ordinary shares At 31 December 2020
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%
Sofia Travel and Tourism	Jordan	Mustafa Semreen Complex Building No. 29, Jamal Qaytoqa Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals Co. Ltd., Almaty (Kazakhtan) Representative Office	Kazakhstan	Apt. 1, House 7, Building-28, "Keremet" Microdistrict, Bostandykskiy District, Almaty, A15C8X2, Kazakhstan	100%	100%
Al Jazeera Pharmaceutical Industries Ltd	KSA	P.O. Box 106229 11666 Riyadh, Saudi Arabia	100%	100%
Hikma Liban S.A.R.L.	Lebanon	Saria Building, Ground Floor, Embassies Street, Bir Hassan, Beirut, Lebanon	67%	67%
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%
Hikma Pharma Benelux B.V	Netherlands	Nieuwe Steen 36, 1625 HV, Hoorn, Netherlands	100%	100%
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8a, 8B-Fervenca, 2705-906, Terugem SNT, Portugal	100%	100%
Lifotec Farmaceutica S.G.P.S S.A*	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%
Hikma Care for Medicines and Medical Supplies Company	Palestine	West Bank Al Birah, Ramallah	51%	51%
Hikma Pharmaceuticals	Palestine	West Bank Al Birah, Ramallah	100%	100%
Hikma Slovakia s.r.o	Slovakia	Seberiniho 1 821 03 Bratislava, Slovakia	100%	100%
Hikma Espana S.L	Spain	CALLE MALDONADO, 4 – BJ D 28006, MADRID Spain	100%	100%
Pharma Ixir Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	51%	51%
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	100%	100%
Eurohealth International S.A.R.L.[1]	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%
STE D'Industriee Pharmaceutique Ibn Al Baytar*	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	100%
STE Hikma Pharma Tunisie	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage 2035, Tunisia	–[2]	100%
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%

39. Subsidiaries and joint venture continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group Ownership % Ordinary shares At 31 December 2021	Ownership % Ordinary shares At 31 December 2020
Hikma Emerging Markets and Asia Pacific FZ-LLC[3]	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai, United Arab Emirates	100%	100%
Hikma International Trading Limited[1]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma MENA FZE*[1]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma (Maple) Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	100%
Hikma Acquisitions (UK) Limited*[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	100%
Hikma Holdings (UK) Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	100%
Hikma UK Limited*[2]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Ventures Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikmacure Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	50%
West-Ward Holdings Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Pharmaceuticals International Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Intelligence Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Eurohealth (U.S.A.) Inc	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Speciality USA, Inc.	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Labs Inc.	United States	Corporation Trust Company of Nevada 701 S Carson Street Suite 200, Carson City, NV 89701, United States	100%	100%
West-Ward Columbus Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%
Hikma Injectables USA, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%
Hikma Pharmaceuticals USA Inc.	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Finance USA LLC	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma France	France	Tour Cb21 16 Place de l'Iris, Courbevoie 92400	100%	–
Hikma Cali Inc. (Delaware)	United States	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	100%	–

1. Owned by PLC 'the Company'
2. In 2021, STE Hikma Pharma Tunisie was merged into STE D'Industriee Pharmaceutique Ibn Al Baytar
3. In 2021, Hikma UK Limited became fully owned by Hikma Pharmaceuticals PLC, following a Group reorganisation

The investments in subsidiaries are all stated at cost in Hikma Pharmaceuticals PLC and are consolidated in line with IFRS 10.

The investments in joint ventures are accounted for using the equity method (Note 18).

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services, except for Sofia Travel and Tourism subsidiary which coordinates employees travel arrangements. Companies marked (*) were incorporated as holding companies.

40. Defined contribution retirement benefit plan

The Group has defined contribution retirement plans in four of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals Limited (Jordan), Arab Pharmaceutical Manufacturing Co and Hikma Pharmaceuticals USA Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC
Hikma Pharmaceuticals PLC currently has a defined contribution pension plan available for staff working in the United Kingdom whereby Hikma Pharmaceuticals PLC contributes 10% of basic salary. Employees are immediately entitled to 100% of the contributions. Hikma Pharmaceuticals PLC contributions for the year ended 31 December 2021 were $0.3 million (2020: $0.3 million).

Hikma Pharmaceuticals LLC
Hikma Pharmaceuticals LLC currently has an employee savings plan whereby Hikma Pharmaceuticals LLC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Hikma Pharmaceuticals LLC contributions after three years of employment with the Company. Hikma Pharmaceuticals LLC contributions for the year ended 31 December 2021 were $3.2 million (2020: $3 million).

Arab Pharmaceutical Manufacturing PSC
Arab Pharmaceuticals Manufacturing PSC currently has an employee savings plan whereby Arab Pharmaceuticals Manufacturing PSC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Arab Pharmaceuticals Manufacturing PSC contributions after three years of employment with the Company. Arab Pharmaceuticals Manufacturing PSC contributions for the year ended 31 December 2021 were $0.5 million (2020: $0.5 million).

Hikma Pharmaceuticals USA Inc.: (401 (k) Retirement Plan)
Hikma Pharmaceuticals USA Inc. has a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. Eligible employees can begin contributing to the plan after being employed for 90 days. Employees can defer up to 95% of their eligible income into the plan, not to exceed $19,500 (2020: $19,500), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches the employees' eligible contribution dollar-for-dollar on the first 6% of eligible pay contributed to the plan. Employer contributions vest 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2021 were $10 million (2020: $9 million). The assets of this plan are held separately from those of the Group. The only obligation of the Group with respect to this plan is to make specified contributions.

41. Subsequent events

Teligent Inc. acquisition
On 17 January 2022, Hikma announced that it has agreed to acquire the Canadian assets of Teligent Inc. (Teligent). The acquisition marks Hikma's expansion into Canada and includes a portfolio of 25 sterile injectable products, three in-licenced ophthalmic products and a pipeline of seven additional products, four of which are approved by Health Canada.

The transaction was completed on 2 February 2022 and Hikma paid a cash consideration of $46 million. Due to the proximity of the completion of the transaction to the date of issuance of the consolidated financial statements, the initial valuation for the business combination and net assets acquired is in progress. It is expected that most of the consideration paid is attributable to product related intangible assets and around $2 million is attributable to working capital.

Share buyback
On 24 February 2022, Hikma announced a share buyback programme of up to $300 million to be executed during 2022. The buyback has been sized to maintain balance sheet efficiency whilst leaving significant headroom for continued investment opportunities. The Buyback reflects the Group's strong cash generation, balance sheet strength and the Board's confidence in the future growth prospects of the business. It is worth noting that since 31 December 2021, the Company has received intercompany dividends which increased the retained earnings balance available for distribution after year-end.

Company balance sheet

At 31 December 2021

	Note	2021 $m	2020 (restated)[1] $m
Non-current assets			
Property, plant and equipment		**1**	2
Right-of-use assets		**7**	9
Intangible assets	3	**15**	27
Investments in subsidiaries	4	**3,288**	3,332
Due from subsidiaries	5	**34**	100
		3,345	3,470
Current assets			
Trade and other receivables[1]		**10**	14
Due from subsidiaries	5	**88**	49
Cash and cash equivalents	7	**222**	156
Other current assets[1]	6	**28**	30
		348	249
Total assets		**3,693**	3,719
Current liabilities			
Other payables		**2**	2
Due to subsidiaries	8	**18**	29
Short-term financial debts	9	**21**	21
Other current liabilities		**12**	12
		53	64
Net current assets		**295**	185
Non-current liabilities			
Long-term financial debts	9	**105**	129
Due to subsidiaries	8	**–**	48
Finance lease obligations		**9**	11
		114	188
Total liabilities		**167**	252
Net assets		**3,526**	3,467
Equity			
Share capital	11	**42**	41
Share premium		**282**	282
Other reserves		**1,746**	1,746
Profit for the year	12	**150**	483
Retained earnings		**1,306**	915
Equity shareholders' funds		**3,526**	3,467

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence the 2020 numbers have been restated reflecting $6 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $3 million. (see Note 6)

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 180 to 186 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Said Darwazah
Executive Chairman
23 February 2021

Sigurdur Olafsson
Chief Executive Officer

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital $m	Share premium $m	Merger reserve $m	Retained earnings $m	Total $m
Balance at 1 January 2020	41	282	1,746	1,365	3,434
Profit for the year	–	–	–	483	483
Total comprehensive income for the year	**–**	**–**	**–**	**483**	**483**
Cost of equity settled employee share scheme	–	–	–	27	27
Dividends paid	–	–	–	(109)	(109)
Share buyback	–	–	–	(368)	(368)
Balance at 31 December 2020 and 1 January 2021	**41**	**282**	**1,746**	**1,398**	**3,467**
Profit for the year	–	–	–	150	150
Total comprehensive income for the year	**–**	**–**	**–**	**150**	**150**
Cost of equity settled employee share scheme	–	–	–	29	29
Exercise of employees share scheme	1	–	–	(1)	–
Dividends paid	–	–	–	(120)	(120)
Balance at 31 December 2021	**42**	**282**	**1,746**	**1,456**	**3,526**

At 31 December 2021, the Company had retained earnings available for distribution in excess of $320 million, which is determined with reference to the Companies Act 2006 and to guidance issued by the Institute of Chartered Accountants in England and Wales in 2017.

Notes to the Company financial statements

For the year ended 31 December 2021

1. Adoption of new and revised standards

The nature of the impact on the Company of new and revised standards is the same as for the Group. Details are given in Note 1 of the Group consolidated financial statements.

2. Significant accounting policies

Basis of accounting

These financial statements, for the year ended 31 December 2021 have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following exemptions from the requirements of IFRS as below:

- Paragraph 10(d) of IAS 1 'Presentation of Financial Statements' (statement of cash flows)
- Paragraph 16 of IAS 1 'Presentation of Financial Statements' (statement of compliance with all IFRS)
- Paragraph 38A of IAS 1 'Presentation of Financial Statements' (requirements for minimal of two primary statements, including cash flow statements)
- Paragraph 45B and 46 to 52 of IAS 1 'Presentation of Financial Statements' (Share based payment)
- Paragraph 111 of IAS 1 'Presentation of Financial Statements' (cash flow statement information)
- IFRS 7 financial instruments disclosure
- Paragraph 17 of IAS 24 'Related Parties Disclosures'
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IAS 7 'Statement of cash flows'

No individual profit and loss account is prepared as provided by section 408 of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 of the Group consolidated financial statements with the addition of the policies noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. The carrying value of investments is reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the Company income statement. Testing for impairment requires making estimates for the valuation of the investments.

Intercompany receivables are classified as financial assets at amortised cost and are measured at amortised cost using the effective interest method less any impairment. The Company applies a general approach in calculating expected credit loss. At the reporting date, all outstanding balances were considered to have low credit risk, therefore, an operational simplification was applied when assessing expected credit loss on a twelve-month period basis.

Equity-settled employee share schemes are accounted for in accordance with IFRS 2 'Share based payment'. The current charge relating to the subsidiaries' employees is recharged to subsidiary companies.

3. Intangible assets

	Software $m	Total $m
Cost		
Balance at 1 January 2020	39	39
Additions	11	11
Disposals[1]	(10)	(10)
Balance at 1 January 2021	**40**	**40**
Additions	3	3
Write-down	(5)	(5)
Disposals[1]	(7)	(7)
Balance at 31 December 2021	**31**	**31**
Accumulated amortisation and impairment		
Balance at 1 January 2020	(6)	(6)
Charge for the year	(2)	(2)
Impairment	(5)	(5)
Balance at 1 January 2021	**(13)**	**(13)**
Charge for the year	(3)	(3)
Balance at 31 December 2021	**(16)**	**(16)**
Carrying amount		
At 31 December 2021	**15**	**15**
At 31 December 2020	27	27

1. Disposals represent software sold to subsidiaries

Details of useful lives are included in Note 16 of the Group consolidated financial statements.

4. Investments in subsidiaries

The details of Investment in subsidiaries are mentioned in Note 39 of the Group consolidated financial statements.

The following table provides the movement of the investments in subsidiaries:

	2021 $m	2020 $m
Beginning balance	**3,332**	3,331
Additions to subsidiaries	**2,179**	1
Liquidation of subsidiaries	**(2,223)**	–
Ending balance	**3,288**	3,332

The movement during the year represent reorganisation of the Group structure through transfer/liquation of certain holding companies, specifically liquidation of Hikma Acquisitions (UK) Limited and addition of Hikma UK Limited (see Note 39 of the Group consolidated financial statements).

5. Due from subsidiaries

Non-current

	As at 31 December 2021 $m	2020 $m
Hikma Pharmaceuticals LLC	30	40
Hikma Pharmaceuticals USA Inc.	–	8
Hikma Emerging Markets and Asia Pacific FZ-LLC	4	5
Hikma UK Limited	–	4
Hikma MENA FZE	–	43
	34	100

Current

	As at 31 December 2021 $m	2020 $m
Hikma Pharma GmbH	1	1
Hikma Pharmaceuticals USA Inc.	51	31
Hikma MENA FZE	10	–
Hikma Pharma S.A.E	2	2
Promopharm	2	–
Al Jazeera Pharmaceuticals Industries JPI	8	–
Hikam Pharmaceuticals International Limited	1	1
Hikma Emerging Markets and Asia Pacific FZ-LLC	7	7
Others	6	7
	88	49

The Company does not expect any material credit losses from inter group receivables.

6. Other current assets

	As at 31 December 2021 $m	2020 (restated)[1] $m
Investments at FVTPL	24	24
Prepayments[1]	4	6
	28	30

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence the 2020 numbers have been restated reflecting $6 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $3 million

Investment at FVTPL: represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the income statement. These assets are classified as level 1 valuation as they are based on quoted prices in active markets. (see Note 29 of the of the Group consolidated financial statements)

7. Cash and cash equivalents

	As at 31 December 2021 $m	2020 $m
Cash at banks and on hand	15	11
Time deposits	207	145
	222	156

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

8. Due to subsidiaries

Non-current

	As at 31 December 2021 $m	2020 $m
Hikma MENA FZE	–	48
	–	48

Current

	As at 31 December 2021 $m	2020 $m
Hikma Investment LLC	–	17
Hikma Farmaceutica S.A	5	4
Hikma Pharma Limited	1	3
Hikma UK Limited	1	1
Hikma Pharmaceuticals LLC	10	2
Other	1	2
	18	29

9. Financial debts

A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. From the $1,175 million, $175 million matured on 24 December 2019, $130 million matured on January 2021 and the remaining $870 million matures on 24 December 2023. At 31 December 2021 the facility has an outstanding balance of $nil (2020: $nil) and a $870 million unused available limit (2020: $1,000 million). On 29 December 2021 the facility agreement has been increased to $1,150 million available for 5 years till Jan 2027 effective from 4 January 2022 with an extension options for additional two years. This facility is available in two tranches, the first for Hikma Pharmaceuticals PLC $760 million and the second is for Hikma Finance USA LLC $390 million and both tranches can be used for general corporate purposes.

A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was full utilisation of the loan since April 2020. Quarterly equal repayments of the long-term loan have commenced on 15 March 2021. The loan was used for general corporate purposes. The facility matures on 15 December 2027.

An eight-year $200 million loan from the International Finance Corporation and Managed Co-lending Portfolio program was entered into on 26 October 2020. There was no utilisation of the loan as of December 2021. The facility matures on 15 September 2028 (Note 28) of the Group consolidated financial statements.

The weighted average interest rates incurred by the Group are disclosed in Note 24 of the of the Group consolidated financial statements.

10. Staff costs

Hikma Pharmaceuticals PLC currently has an average of 35 employees (2020: 35 employees) (excluding Executive Directors); total compensation paid to them amounted to $10 million (2020: $12 million), of which salaries and bonuses comprise an amount of $7 million (2020: $8 million) the remaining balance of $3 million (2020: $4 million) mainly represents national insurance contributions and other employee benefits.

11. Share capital

Issued and fully paid – included in shareholder's equity:

	As at 31 December			
	2021		2020	
	Number	$m	Number	$m
Ordinary Shares of 10p each	**244,331,288**	**42**	243,332,180	41

At 31 December 2021, of the issued share capital, 12,833,233 (2020: 12,833,233) are held as Treasury shares, nil (2020: 40,831) shares are held in the Employee Benefit Trust (EBT) and 231,498,055 (2020: 230,458,116) shares are in free issue (Note 31) of the Group consolidated financial statements.

12. Profit for the year

The net profit in the Company for the year is $150 million (2020: $483 million). Included in the net profit for the year is an amount of $2,401 million (2020: $510 million) dividends income offset by $2,223 million write-off of investments in subsidiaries mainly as a result of the reorganisation of the Group structure (Note 4). The remaining income statement components largely represent general and administrative expenses and net financing expenses. Audit fees for the Company are disclosed in Note 7 of the Group consolidated financial statements.

13. Contingent liabilities

A contingent liability existed at the balance sheet date for a standby letter of credit totalling $10 million (2020: $8 million) for potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors. It's not probable that the repayment will be made by the intercompany guarantors.

In addition, the Company guaranteed Hikma Finance USA LLC $500 million, 3.25%, five year Eurobond issued in July 2020 (Note 28 of the Group consolidated financial statements) and guaranteed Hikma Pharmaceuticals USA Inc. contingent consideration related to the Columbus business acquisition (Note 27 and 30 of the Group consolidated financial statements). It's not probable that any of the guaranteed entities will default on the guaranteed obligations.

Shareholder information

2022 financial calendar

17 March	2021 final dividend ex-dividend date
18 March	2021 final dividend record date
25 April	Annual General Meeting
28 April	2021 final dividend paid to shareholders
4 August*	2022 interim results and interim dividend announced
17 August*	2022 interim dividend ex-dividend date
18 August*	2022 interim dividend record date
16 September*	2022 interim dividend paid to shareholders

* Provisional dates

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to Hikma's registrars, Link Registrars either:

- in writing to Shareholder Services, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL
- by telephone from within the UK on 0371 664 0300
- by telephone from outside the UK on +44 371 664 0300 or
- by email – enquiries@linkgroup.co.uk

Dividend payments – currency

Hikma declares dividends in US dollars. Unless you have elected otherwise, you will receive your dividend in US dollars. Shareholders can opt to receive the dividend in pound sterling or Jordanian dinar. The Registrar retains records of the dividend currency for each shareholder and only changes them at the shareholder's request. If you wish to change the currency in which you receive your dividend please contact the Registrars.

Dividend payments – bank transfer

Shareholders who currently receive their dividend by cheque can request a dividend mandate form from the Registrar and have their dividend paid direct into their bank account on the same day as the dividend is paid. The tax voucher is sent direct to the shareholder's registered address.

Dividend payments – international payment system

If you are an overseas shareholder, the Registrar is now able to pay dividends in several foreign currencies for an administrative charge of £5.00, which is deducted from the payment. Contact the Registrar for further information.

Website

Press releases, the share price and other information on the Group are available on Hikma's website www.hikma.com.

Share listings

London Stock Exchange

Hikma's Ordinary Shares of 10 pence each (Shares) are admitted to the Official List of the London Stock Exchange. They are listed under EPIC – HIK, SEDOL – B0LCW08 GB and ISIN – GB00B0LCW083.

Further information on this market, its trading systems and current trading in Hikma's shares can be found on the London Stock Exchange website www.londonstockexchange.com.

Global Depository Receipts

Hikma also has listed Global Depository Receipts (GDRs) on the Nasdaq Dubai. They are listed under EPIC – HIK and ISIN – US4312882081. Further information on the Nasdaq Dubai, its trading systems and current trading in Hikma's GDRs can be found on the website www.nasdaqdubai.com.

American Depository Receipts (ADR)

Hikma has an ADR programme for which BNY Mellon acts as Depository. One ADR equates to two shares. ADR are traded as a Level 1 (OTC) programme under the symbol HKMPY. Enquiries should be made to:

BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516
Tel: +1 201 680 6825
Tel: +1 888 BNY ADRS (toll-free within the US)
E-mail: shrrelations@bnymellon.com

Shareholder fraud

The Financial Conduct Authority has issued a number of warnings to shareholders regarding boiler room scams. Shareholders may have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms. These brokers can be very persistent and extremely persuasive. Shareholders are advised to be very cautious of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- obtain the correct name of the person and organisations
- check they are authorised by the FCA by looking the firm up on www.fca.org.uk/register
- report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/consumers
- if the caller persists, hang up

Details of the share dealing facilities sponsored by Hikma are included in Hikma's mailings and are on Hikma's website.

Hikma's website is www.hikma.com and the registered office is 1 New Burlington Place, London W1S 2HR.
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Principal Group Companies and Advisers

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Design and production
CONRAN DESIGN GROUP