

Company Registration No. 08246321 (England and Wales)

THERAKOS (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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THERAKOS (UK) LIMITED

COMPANY INFORMATION

Directors

Mr P.R Coiante
Mr T.J Englese
Mr A.J Fenlon
Mr C. Hirt
Mr G.J McCutcheon
Mr C Peters (Resigned 7 April 2016)

Secretary

Intertrust UK Limited

Company number

08246321

Registered office

3 The Causeway
Lotus Park
Staines Upon Thames
England
TW18 3AG

Independent Auditor

Deloitte LLP
Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

Bankers

HSBC Bank Plc
Global House
High Street
Crawley
West Sussex
RH10 1DL

Solicitors

Reed Smith
The Broadgate Tower
20 Primrose Street
London
EC2A 2RS

THERAKOS (UK) LIMITED

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THERAKOS (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report and financial statements for the year ended 31 December 2016.

Principal activities and review of the business

The principal activity of the company is to provide services for the business of marketing, distributing and selling photopheresis systems (the products) for use by professional health care providers in connection with the treatment of immune based diseases.

The parent company, Therakos Inc., which is based in Bedminster, New Jersey, is a global leader in advanced technologies for extracorporeal photopheresis. Therakos' photopheresis systems are the only integrated systems for extracorporeal photopheresis, a leukapheresis-based immunomodulatory therapy that has been approved by the FDA for the palliative treatment of the skin manifestations of cutaneous T-cell lymphoma ("CTCL"). The systems are also approved as a therapy in Europe for such indications as acute and chronic graft versus host disease, solid organ transplant, CTCL and a variety of other immunological diseases. Therakos' unique system has a demonstrated track record of efficacy and safety and has been used globally for more than 25 years. On 25 September 2015 the Therakos Inc. business was acquired by Mallinckrodt Pharmaceuticals PLC, a business incorporated in Ireland and listed in the USA.

The European and Export business ("EUE"), which is conducted through Therakos UK grew by 22.1% in 2016 (2015: 4.5% reduction). We are anticipating growth in 2017 and beyond, as our clinical and marketing initiatives continue to drive consumption of our products (new disease states and treatment regimes).

The company's key financial and other performance indicators for the year were as follows:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £	+/-	Change
Turnover	44,745,297	36,652,501	+	22.1%
Operating profit/(loss)	1,286,565	(1,002,342)		
Profit/(loss) for the financial year	884,498	(1,838,354)		

THERAKOS (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties

Competition risk

The challenges facing the EUE business include open system competition (although the company continues to take market share from the open systems), biologics, alternative treatments and general economic conditions (health care spend, budgetary constraints). Despite these challenges, we are confident that our EUE operations will grow in the future (through increases both in volume and price), and therefore continue to provide positive contributions to the group.

EU membership risk

Therakos UK is a UK registered company with significant EU sales and as such the potential exit of the UK from the EU may represent a financial risk. The exact nature and scope of this risk is difficult to establish without a clear definition of the EU exit parameters. Once these parameters are defined then we can and will assess this risk with more certainty. At the very minimum there is a likely impact on the tax and governance environment with an increased burden of compliance likely.

Legislative Risk

In the ordinary course of business, the company is subject to loss contingencies such as legal proceedings and claims arising from government requests, audits by regulatory authorities, and potential product liability claims. The company is not aware of any current or future claims at the moment. Although the outcome and costs of any asserted and unasserted claims are difficult to predict, the company does not expect the ultimate liability, if any, for any legal or regulatory matters to have a material adverse effect on its financial condition, results of operations, or cash flows. The company also has both a regulatory and compliance department who work closely to manage such risk.

Other risks and uncertainties

There are no contingent liabilities for the business. No other significant risks or uncertainties have been identified.

Financial risk management policies and objectives

Foreign Exchange Risk

The company has significant sales across most European markets and is therefore exposed to movements in exchange rates, most significantly movements between the pound and the euro. In future the company may consider taking steps to minimise the risk of exposure to foreign exchange differences, but it has not implemented any hedging activities to date.

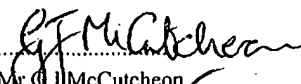
Liquidity risk

The company relies primarily on funding from other group entities and not third parties and hence is not exposed to significant liquidity risk.

Credit risk

Credit risk is assessed on an individual customer basis and reviewed regularly. The majority of Therakos UK customers are local or national government owned hospitals throughout Europe. As such they represent a relatively low level of credit risk.

On behalf of the board


Mr G.J. McCutcheon
Director
26/9/17

THERAKOS (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the annual financial statements for the year ended 31 December 2016. There are no post balance sheet events to disclose.

Directors

The directors who served the company during the year and to the date of signing of the accounts are given on the company information page.

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of a final dividend (2015 £nil).

Future developments

The company plans to achieve projected growth primarily by increasing the current installed base for its product, expanding geographically, and improving penetration in current indications and developing new indications.

Management expect revenue growth through the following strategies:

- Increasing sales to existing customers;
- Building new customer relationships and business with both government funded and private hospitals across Europe;
- Sales of supplies for treatment both of acute graft-versus-host disease (AGVHD) and chronic graft-versus-host disease (CGVHD) patients.
- Investigating the use of the photopheresis treatment for other conditions

Research and development (R&D)

The company does not engage in any R&D activity

All R&D is carried out by the company's parent company Therakos Inc.

Branches outside the UK

The company has branches in Spain, Sweden and the Netherlands.

THERAKOS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Going concern

The Directors have reviewed a number of factors to enable them to make an accurate assessment of going concern. The assessment includes regular reviews of the current business performance and projections for the year to December 2016 and budgeting and future projections up to December 2018.

The company is a wholly owned subsidiary of Therakos Inc and a part of the Mallinckrodt group of companies. The company has net current liabilities of £2.0m and has £18.1m due to fellow group undertakings. As such, the company needs support from the Mallinckrodt group to continue to adopt the going concern basis.

Mallinckrodt International Finance S.A, an indirect parent of Therakos UK., will provide, and has provided, support to Therakos UK. It is the intention of Mallinckrodt International Finance S.A to provide continued financial support such that the company can meet its commitments for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditor

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

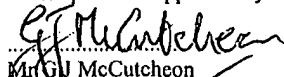
- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP were appointed as auditors to the company at a general meeting, and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a board meeting.

Approval

This report was approved by the Board of Directors on ²⁶X September 2017 and signed on its behalf by:


Mr GJ McCutcheon
Director

THERAKOS (UK) LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

THERAKOS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THERAKOS (UK)

We have audited the financial statements of Therakos (UK) Ltd for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Financial Position and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter[s] prescribed by the Companies Act 2006

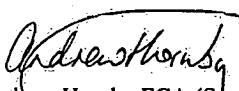
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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


Andrew Hornby FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP

THERAKOS (UK) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December 2016 £	Year ended 31 December 2015 £
	Notes		
Turnover	2	44,745,297	36,652,501
Cost of sales		(32,785,434)	(22,483,290)
Gross profit		11,959,863	14,169,211
Administrative expenses		(10,673,299)	(15,171,553)
Operating profit/(loss)	3	1,286,565	(1,002,342)
Interest income	5	288	1,268
Interest payable	6	(430,529)	(367,486)
Profit/(loss) on ordinary activities before taxation		856,324	(1,368,560)
Tax on profit/(loss) on ordinary activities	7	28,174	(469,794)
Profit/(loss) for the year	14	884,498	(1,838,354)

All results derive from continuing operations.

THERAKOS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Profit/(loss) for the financial year		884,498	(1,838,354)
Exchange differences on retranslation of foreign branches		9,377	(2,397)
Total comprehensive profit/(loss) for the financial year		893,876	(1,840,751)

There are no changes to equity other than those presented in the statement of comprehensive income.

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium account	Profit and loss account deficit	Total Shareholder's deficit
	£	£	£	£
Balance at 1 January 2016	200	8,999,900	(4,110,978)	4,889,122
Profit for the period	-	-	884,498	884,498
Foreign currency translation differences	-	-	9,377	9,377
Balance at 31 December 2016	200	8,999,900	(3,217,103)	5,782,997

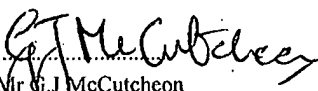
THERAKOS (UK) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	8		6,362,664		8,483,551
Tangible assets	9		1,433,130		1,623,655
			<u>7,795,794</u>		<u>10,107,206</u>
Current assets					
Inventories	10	3,410,268		3,404,317	
Receivables	11	42,560,800		24,600,737	
Cash		8,394,721		3,418,537	
		<u>54,365,789</u>		<u>31,423,591</u>	
Trade payables: amounts falling due within one year	12	(56,378,586)		(36,641,675)	
Net current liabilities			<u>(2,012,797)</u>		<u>(5,218,084)</u>
Total assets less current liabilities			<u>5,782,997</u>		<u>4,889,122</u>
			<u>5,782,997</u>		<u>4,889,122</u>
Capital and reserves					
Called up share capital	13		200		200
Share premium account	14		8,999,900		8,999,900
Profit and loss account deficit	14		(3,217,103)		(4,110,978)
Shareholder's deficit			<u>5,782,997</u>		<u>4,889,122</u>

Approved by the Board and authorised for issue on 26 SEPTEMBER 2017


Mr G.J. McCutcheon
Director

Company Registration No. 08246321

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Therakos (UK) Limited is a limited company incorporated in England and Wales. The registered office and principal place of business is 3 Lotus Park, The Causeway, Staines Upon Thames, Surrey, TW18 3AG

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The Directors have reviewed a number of factors to enable them to make an accurate assessment of going concern. The assessment includes regular reviews of the current business performance and projections for the year to December 2016 and budgeting and future projections up to December 2018.

The company is a wholly owned subsidiary of Therakos Inc and a part of the Mallinckrodt group of companies. The company has net current liabilities of £2.0m and has £18.1m due to fellow group undertakings. As such, the company needs support from the Mallinckrodt group to continue to adopt the going concern basis.

Mallinckrodt International Finance S.A, an indirect parent of Therakos UK., will provide, and has provided, support to Therakos UK. It is the intention of Mallinckrodt International Finance S.A to provide continued financial support such that the company can meet its commitments for the foreseeable future. Mallinckrodt International Finance S.A has confirmed that it will provide financial support for a period of at least 18 months from the date of approval of the financial statements.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the requirements of the Companies Act 2006.

1.3 Exemptions adopted

The company has taken advantage of the exemption in Financial Reporting Standard 102 from the requirement to produce a statement of cash flows and the requirement to disclose remuneration of key management personnel as it is included within the consolidated accounts of Mallinckrodt plc please see note 17 for details.

The shareholders of the company have been informed of the intention to take these exemptions and have not objected.

1.4 Goodwill

Goodwill on acquisition is written off in equal annual instalments over its estimated useful economic life of 7 years. This period is consistent with the company's product lives of 7 to 12 years. Management also test for indicators of impairment each year.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Rental Instruments	Straight line over 7 years
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1.6 Leasing

Rentals payable and receivable under operating leases are recognised on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (continued)

1.7 Inventories

Inventories are measured at lower of cost or selling price less cost to complete and sell. The cost of inventories includes purchase cost, conversion cost and other costs incurred to bring the inventory to its present location and condition.

1.8 Revenue recognition

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

The Company recognises revenue when the earnings process is complete. Under FRS102 this is when the company has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no control or managerial involvement over the goods, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

- Product sales are recognised once the goods have been delivered to the customer.
- Instrument and machine sales are recognised on installation.
- Service and equipment rentals revenues are spread equally over the annual contract or, when time and materials are supplied, after a visit has been completed.

Goodwill credit policy - the Company estimates and recognises an accrued provision for Goodwill Credits as a percentage of gross sales based upon historical experience. The Company also considers other factors, including significant market changes, manufacturing issues, and quality concerns which may impact future expected levels of credits issued. The Company monitors actual goodwill credits issued on a regular basis and may record specific provisions for credits it believes are not covered by historical percentages.

Rebate policy - a provision for rebates is estimated and recorded in the same period when revenue is recognized based upon the terms of the contracts in effect with our wholesalers when the sales are made, historical experience, and other factors as appropriate.

Product returns policy - returns of the Company's products are rare since they are generally sold without the right of return. The Company's products also have limited competition since they are currently the only closed-system photopheresis products in the marketplace. Customers normally operate a weekly or monthly order cycle which minimises the consumable kits on hand at customer location. The company also monitors its commercial channels which further reduces the risk of returns. Based upon the historical experience of minimal returns (2.5%), the Company generally will record a provision based on historical returns levels.

1.9 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided in respect of unrelieved tax losses. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (continued)

1.11 Foreign currency translation

The company operates using a number of functional currencies, including Euros, and Pounds Sterling, being the principal currencies adopted by the country of each branch; additionally the company issues invoices in the local currencies of its customers which are principally the above. Monetary assets and liabilities denominated in currencies other than the functional currency of each branch are translated at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency of each branch are recorded at the rate applicable on the day of the transaction. Exchange differences arising on translation are taken to the statement of income and retained earnings.

The presentational currency of the company is British Pounds, being the principal currency of the country of incorporation and the head office of the company. Monetary assets and liabilities held at the year end (including those of each branch) are translated into British Pounds at the rate of exchange ruling at the balance sheet date. Profit and loss transactions are translated into British Pounds at the average rate for the year. Exchange differences arising on translation are taken to the statement of comprehensive income.

1.12 Judgements and key estimates

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

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

The company's management have made the following judgements in order to apply the accounting policies and present results which give a true and fair view of the company's financial position.

(i) Operating lease commitments

The company has entered into commercial property leases as a lessee and equipment leases as a lessor. The classification of such leases as operating or finance lease required the company to determine based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant rights and rewards of ownership of these assets and accordingly whether the lease required an asset and liability to be recognised in the statement of financial position.

(ii) Deferred tax asset

The company recognises a deferred tax asset in respect of tax losses and certain timing differences existing at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Management consider it probable that the company will begin reporting taxable profits in the future. The directors will review the position of the company and recognition criteria for deferred tax assets each year in order to ensure that the financial statements recognise all assets and liabilities necessary to present a true and fair view.

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (continued)

b) Critical accounting estimates and assumptions

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

(i) Goodwill

The company establishes a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on the useful life of the company's main products, and legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Management considered the value of goodwill included at the year end for indications of impairment. No impairment provision was considered necessary and therefore goodwill is included at amortised cost.

(ii) Depreciation and the useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the tangible fixed assets, and note 1.5 for the useful economic lives for each class of assets.

(iii) Inventory provisioning

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 10 for the net carrying amount of the inventory and associated provision.

(iv) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors and makes specific provisions accordingly.

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 Turnover

	Turnover	
	2016	2015
	£	£
Class of business		
Product revenue	42,605,221	33,949,221
Non product revenue	2,140,077	2,703,280
	<u>44,745,297</u>	<u>36,652,501</u>

The business generates revenue through the sale of equipment, service and supplies.

Product Revenue includes Cellex and XTS instrument sales, procedural kits used to administer treatments and the Uvadex drug, a sterile solution drug used in conjunction with the XTS system.

Service revenue is derived primarily from maintenance contracts as well as on a per call basis on the equipment sold to customers or where services are provided on rental of equipment.

Geographical markets

	Turnover	
	2016	2015
	£	£
Europe	35,375,877	29,925,026
United Kingdom	7,815,908	6,379,257
Rest of World	1,553,512	348,218
	<u>44,745,297</u>	<u>36,652,501</u>

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3	Operating loss	2016	2015
		£	£
	Operating loss is stated after charging:		
	Amortisation of intangible assets	2,120,887	2,120,887
	Depreciation of tangible assets	382,917	452,606
	Loss on disposal of tangible assets	16,685	74,218
	(Gain)/Loss on foreign exchange transactions	(1,227,517)	671,221
	Operating lease rentals		
	- Land and buildings	51,904	26,117
		<u> </u>	<u> </u>
	Auditors' remuneration	2016	2015
		£	£
	Fees payable to the company's auditor for the audit of the financial statements	45,000	42,000
		<u> </u>	<u> </u>
		45,000	42,000
		<u> </u>	<u> </u>
4	Directors and Employees		
	Number of employees		
	The average monthly number of employees during the year was:		
		2016	2015
		Number	Number
	Finance and administration	4	8
	Sales and services	13	10
		<u> </u>	<u> </u>
		17	18
		<u> </u>	<u> </u>
	Employment costs	2016	2015
		£	£
	Wages and salaries	2,408,214	2,218,125
	Social security costs	236,520	308,188
	Other pension costs	172,409	115,280
		<u> </u>	<u> </u>
		2,817,143	2,641,593
		<u> </u>	<u> </u>

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 Directors and Employees (continued)

Only one director actually received remuneration from the company which is set out as below. The remaining Directors of the Company are also directors and or employees of other companies within the Mallinckrodt group and their services to the Company do not occupy a significant amount of their time and as such the directors received no remuneration from the UK company during the year

Director remuneration and remuneration of highest paid director

	2016 £	2015 £
Emoluments	214,448	86,202
Pension contributions to Money Purchase Schemes	11,076	3,906
	<u>225,524</u>	<u>90,108</u>

5 Interest receivable

	2016 £	2015 £
Bank interest	288	1,268
	<u>288</u>	<u>1,268</u>

6 Interest payable

	2016 £	2015 £
Intercompany interest payable	430,529	367,486
	<u>430,529</u>	<u>367,486</u>

7 Taxation

	2016 £	2015 £
Current tax:		
Foreign tax suffered	12,227	9,405
Foreign tax adjustments in respect of prior periods	(348)	-
Total current tax	<u>11,879</u>	<u>9,405</u>
Deferred tax:		
Origination and reversal of timing difference	(76,938)	445,117
Adjustment in respect of previous periods	21,883	5,918
Effects of changes in tax rates	15,002	9,355
Total deferred tax	<u>(40,053)</u>	<u>460,390</u>

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7	Taxation		(continued)
	Total tax (credit) / expense per income statement	(28,174)	469,795

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

Profit/(loss) for the period – continuing operations	856,324	(1,368,560)
Tax on loss at standard UK tax rate of 20.00% (2015: 20.00%)	171,265	(273,712)
Effects of:		
Expenses not deductible	115,114	35,005
Foreign tax		1,995
Effects of group relief/other reliefs	(58)	-
Losses	(363,259)	685,705
Foreign tax movements	-	15,269
Effects of overseas tax rates	12,227	(9,740)
Adjustment from previous periods	21,535	5,918
Tax rate changes	15,002	9,355
	(28,174)	469,794
Income tax (income) expense reported in the income statement	(28,174)	469,794

Current Liabilities	2016	2015
	£	£
Overseas tax	6,680	5,260
	6,680	5,260

Deferred tax (assets) / liabilities		
Provision at start of period	(84,195)	(544,585)
Adjustment in respect of prior years	21,883	5,918
Deferred tax charge to income statement for the period	(61,936)	454,472
Provision at end of period	(124,248)	(84,195)

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	£
Fixed asset timing differences	(123,013)	(81,905)
Short term timing differences	(1,235)	(2,290)
Losses	-	-
	<u>(124,248)</u>	<u>(84,195)</u>
Deferred tax (assets)		
Recoverable within 12 months	(1,235)	(2,290)
Recoverable after 12 months	(123,013)	(81,905)
	<u>(124,248)</u>	<u>(84,195)</u>
For review purposes only: Deferred tax amounts not recognised (at the closing tax rate)		
Losses	<u>(294,747)</u>	<u>(617,134)</u>

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2015 & at 31 December 2016	14,846,212
Amortisation	
At 1 January 2016	6,362,661
Charge for the year	2,120,887
At 31 December 2016	8,483,548
Net book value	
At 31 December 2016	6,362,664
At 31 December 2015	8,483,551

9 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings, computer & telephone equipment	Instruments rentals	Total
	£	£	£	£
Cost				
At 1 January 2016	105,349	184,093	2,367,384	2,656,826
Additions			480,952	480,952
Disposals	-	-	(418,334)	(418,334)
At 31 December 2016	105,349	184,093	2,430,002	2,719,444
Depreciation				
At 1 January 2016	57,942	104,780	870,450	1,033,171
On disposals	-	-	(129,774)	(129,774)
Charge for the year	47,408	79,313	256,196	382,917
At 31 December 2016	105,349	184,093	996,872	1,286,314
Net book value				
At 31 December 2016	-	-	1,433,130	1,433,130
At 31 December 2015	47,407	79,313	1,496,935	1,623,655

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Inventories	2016 £	2015 £
Finished goods and goods for resale	3,410,268	3,404,317

Inventories recognised as a cost of sales expense in the period totalled £27,257,669 (2015 - £21,514,420).

11 Receivables	2016 £	2015 £
Trade receivables	5,551,664	4,171,515
Recoverable amounts owed by parent and fellow subsidiary undertakings	36,687,119	20,027,408
Other receivables	192,891	263,159
Prepayments and accrued income	4,878	54,460
Deferred tax asset (see note 7)	124,248	84,195
	42,560,800	24,600,737

The deferred tax asset included in receivables above is due after more than one year.

12 Trade payables: amounts falling due within one year	2016 £	2015 £
Trade payables	56,469	109,533
Amounts owed to parent and fellow subsidiary undertakings	45,747,654	26,038,270
Corporation tax	16,262	197,370
Other taxes and social security costs	469,244	58,990
Loan from parent company	9,060,302	9,034,817
Accruals and deferred income	1,028,654	1,202,695
	56,378,586	36,641,675

The loan made by the parent company is repayable on demand. Interest is calculated on a daily basis at a variable rate of LIBOR plus 400 basis points. Other intercompany balances are technically repayable on demand but not attract interest.

13 Share capital	2016 £	2015 £
Allotted, called up and fully paid		
200 Ordinary shares of £1 each	200	200

Each ordinary share carries equal voting, dividend and capital repayment rights.

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Reconciliation of movements in equity	2016	2015
	£	£
Profit/(loss) for the financial year	884,498	(1,838,354)
Other comprehensive gain/(loss)	9,377	(2,397)
Net increase/(decrease) in shareholders' funds	893,876	(1,840,751)
Opening shareholder's funds	4,889,122	6,729,874
Closing shareholder's funds	5,782,997	4,889,123

15 Financial commitments

At 31 December 2016 the company was committed to making the following payments under non-cancellable operating leases:

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
Operating leases payments due:				
Within one year	39,570	39,570	28,850	5,295
Between one and five years	9,893	49,463	23,531	315
	49,463	89,033	52,381	5,610

Operating lease payments made during the period and recognised as an expense are disclosed in note 3.

Operating lease agreements where the company is the lessor

The company leases photopheresis equipment for a contracted period of time with an option to purchase at the end of the period of lease.

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

	2016	2015
	£	£
Within one year	162,402	157,860
Between one and five years	314,253	125,106
	476,655	282,966

THERAKOS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Related party relationships and transactions

The company has taken advantage of the exemption from disclosing remuneration of key management personnel as detailed in note 1 and is not required under FRS102 to disclose transactions with wholly owned subsidiaries within the Mallinckrodt group. No other related party transactions have occurred.

17 Control

The immediate parent company and the parent of the smallest group in which the company's results will be consolidated is Therakos, Inc., a company incorporated in the United States of America. The ultimate parent company, controlling party, and parent of the largest group in which the company's results will be consolidated is Mallinckrodt Plc, a company incorporated in the Republic of Ireland.

Mallinckrodt Plc prepares group financial statements and copies can be obtained from the Mallinckrodt website.