HIKMA PHARMACEUTICALS PLC

Annual Report 2015

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Financial highlights 2015

Hikma delivered strong performance in Branded and Injectables, and made excellent strategic progress in Generics

Revenue
$1,440m

Adjusted operating profit
$409m

EBITDA
$454m

Profit attributable to shareholders
$252m

Dividend per share
32 cents

Basic earnings per share
126.6 cents

Business and financial review
To find out more about how we've performed in 2015, see pages 18-37

We aim to be a leader in speciality pharmaceuticals, delivering sustainable long-term growth to shareholders

from Opportunity *to Growth*

As we grow, we continue to focus on improving the lives of patients across our global markets, providing high-quality, affordable medicines

HIKMA

QUALITY

A lifetime rich in achievements

Samih Darwazah 1930 – 2015

"The growing shift toward generic pharmaceuticals shows people want high-quality, innovative products that are accessible and affordable. That's what Hikma will continue to provide. That's our future"

Samih Darwazah,
Lessons to Grow a Billion-Dollar Company: Mixing Family and Business.

Throughout the course of a lifetime rich in achievements, Samih Darwazah rose to the heights of business success, creating a world-renowned legacy in the pharmaceutical industry as the Founder, CEO, Chairman and ultimately Honorary Life President of Hikma Pharmaceuticals. Throughout his career, Samih encountered numerous professional triumphs, and was notably admired for his leadership and humanitarian qualities. Samih truly believed in giving back to the community, and prioritised the wellbeing of his employees and customers.

Samih was born in Nablus in 1930. As a young child, he dreamed of becoming an entrepreneur, and was fortunate to receive a scholarship to the Arab College of Jerusalem at the young age of 13. He was later accepted to the American University of Beirut (AUB), where he qualified for financial aid, while working toward his Bachelor's degree. It was during his time at AUB that he encountered further good fortune by meeting the love of his life, Samira, a fellow AUB student whom Samih married before graduation. The couple raised four children together – May, Said, Mazen and Hana – who in turn have raised 11 grandchildren.

After working as a pharmacist for several years in Amman, Samih successfully applied for a Fulbright Scholarship at St Louis, Missouri, where he obtained a Master's degree in Industrial Pharmacy in 1964. For the next 12 years, he worked for Eli Lilly, progressively climbing the occupational ladder and taking on greater responsibilities within the

company, leading him to relocate several times to regional offices around the US, Europe and the Middle East.

In 1978, after moving back to Jordan, Samih took a calculated risk and decided to fulfill his dream of founding his own pharmaceutical company. Despite considerable competition in the region, he was convinced that by producing high-quality medicines, his new company would ultimately gain the confidence of physicians and patients alike. By the early 1990s, Hikma had begun to expand globally. Soon after establishing a successful operation in Portugal, the Company reached a new milestone: operating a generic pharmaceutical business in the United States.

Throughout Hikma's growth, Samih remained committed to maintaining a safe and supportive work environment for his employees around the globe. He also insisted the Company adhere to a strict code of ethics, as well as contribute to community development by sponsoring robust corporate social responsibility programmes.

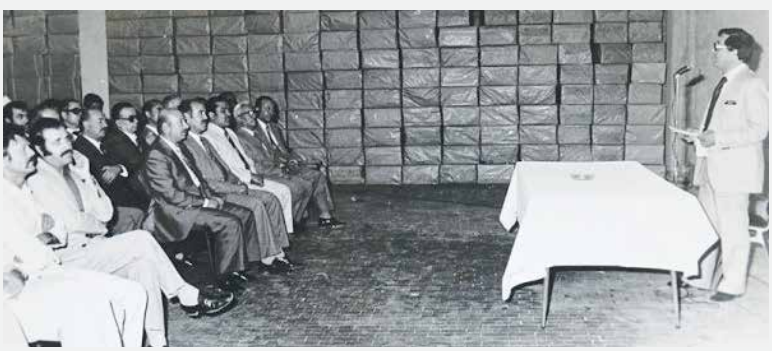
In 1995, Samih was invited to serve as Minister of Energy and Mineral Resources. This move followed years spent in public service – where he also served as a Senator, a member on the Advisory Economic Council to His Majesty King Hussein, and as the founder of the Jordanian Trade Association. He was also a firm supporter of education and an advocate for women's rights, which is why, when he learned that many girls in Southern Jordan lacked access to quality schooling, he decided to do something about the problem himself. In 2009, he established a school for girls in Al Shobak, which is now a thriving educational centre.

Samih's many well-deserved awards and accolades are as varied as they are numerous. In 2007, in recognition of his remarkable achievements as a businessperson, Ernst and Young named him the Middle East Entrepreneur of the Year. In 2010, the St. Louis College of Pharmacy acknowledged his lifetime of accomplishments by granting him an Honorary Doctorate. In the following year, his four children paid tribute to their father by establishing The Samih Darwazah Center for Innovation Management and Entrepreneurship at the Olayan School of Business at AUB. In 2012, his alma mater AUB presented him with the Distinguished Alumnus Award for his leadership in the international healthcare industry. In that same year, he was granted an Honorary Doctorate from the Lebanese American University in recognition of his many achievements, including raising the standards of the pharmaceutical sector in the MENA region.

In 2014, Samih received three additional Honorary Doctorates. The first was a degree in Humane Letters from AUB for his efforts in enriching the global quality of life and in recognition of his commitment towards the community. His second came from Birzeit University, commemorating his excellence in community and economic development in the Arab world. The third degree was in Pharmacy from Jordan University of Science and Technology, in recognition for his outstanding achievements and efforts in academia, science and research in the fields of medicine and pharmaceutical sciences.

In 2004, Samih published his first book, entitled "Building a Global Success", which opens with his first professional experience as a young boy selling candied apples in Nablus. Written in style of a novel, "Building a Global Success" has been referred to by several Deans of the Faculty of Business Administration at both Harvard and Columbia University. Throughout his book, Samih's love and appreciation for his family, as well as his passion and high work ethic, shine through. Ten years later, he published his second book entitled, "Lessons to Grow a Billion-Dollar Company: Mixing Family and Business."

Today, Samih's legacy lives through his children, grandchildren and the Hikma family who proudly continue to grow the company, which he ever so passionately founded.



Young Samih addressing Hikma employees in the early years

A long way in a short time

Our mission

We are committed to improving people's lives through our existing products and our extensive and differentiated pipeline. Our aim is to provide patients with better access to high-quality, affordable medicines in key therapeutic areas.

Our vision

Our vision is to build Hikma into a leading speciality pharmaceutical company with a global presence. Through organic growth and strategic acquisitions, we will continue to develop the business and maintain the high standards of ethics and responsibility that are central to the way we operate.

$99m

Group revenue in 2000

Founded with a focus on quality

Hikma was founded in 1978. In its early days, the Company established itself as a leading supplier of branded generics and in-licensed products in the Middle East and North Africa (MENA) region, meeting local patient needs through the supply of high-quality affordable medicines.

Hikma then moved beyond the MENA, building a greenfield injectable manufacturing facility in Portugal in 1990 and entering the United States (US) market by acquiring West-Ward Pharmaceuticals in 1992.

In the following years, Hikma significantly expanded its operations across its geographies growing total revenue from $16 million in 1990 to $99 million in 2000.

1978 – 2000

$262m

Group revenue in 2005

A renewed focus on growth

London Stock Exchange

Hikma listed on the London Stock Exchange in 2005, raising proceeds of $124 million. A successful initial public offering enhanced Hikma's flexibility to grow the business through increased access to capital, whilst driving an even greater focus on shareholder returns.

Having entered a new phase of growth, Hikma completed four strategic acquisitions in 2007 – two in Germany, to develop its oncology pipeline and manufacturing capabilities, one in Egypt, to establish a local manufacturing plant and commercial presence in this protected market, and one in Jordan, to consolidate its leading position in the Jordanian market.

2005

$730m
Group revenue in 2010

Building a leading position in key markets

By 2010, following a period of significant investment, Hikma had established a strong presence in the US, Europe and across the MENA region. Over the next five years, Hikma strengthened its position in these markets through organic growth and further strategic acquisitions. The Company established itself as a leading injectables player in the US, acquired a business in Morocco to complete its footprint in the MENA, and expanded its manufacturing capabilities and commercial operations in Europe.


Algeirs, Algeria

2010

$1,440m
Group revenue in 2015

From opportunity to growth

2015 has been another significant year for Hikma during which it continued to expand its operations through organic growth and acquisitions.

Boehringer Ingelheim
Roxane Laboratories

The acquisition of Roxane Laboratories Inc. (Roxane) from Boehringer Ingelheim, which closed in February 2016, will transform our non-injectables business in the US, adding complementary and well differentiated products, an attractive pipeline, proven R&D capabilities and greater overall scale.

Hikma expects to benefit from the investments it has made in recent years – in R&D, M&A, co-development partnerships and licensing agreements. The Company has an exciting pipeline across its business segments that will drive accelerated and sustainable future growth.


Bedford, USA

2015 and beyond

Our Group at a glance

Well positioned for future growth

We develop, manufacture and market a broad range of branded and non-branded generic pharmaceutical products across the US, the MENA region and Europe. We are also a leading licensing partner in the MENA region. Our operations span over 50 countries and are conducted through three business segments.

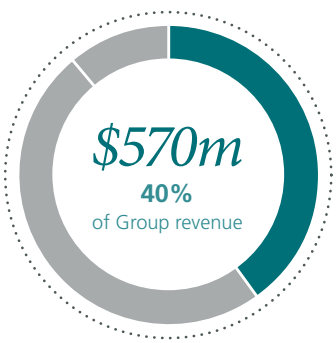
Branded

Our Branded business sells branded generics and in-licensed patented products across the MENA region and other emerging markets.

Highlights

- Fifth largest pharmaceutical manufacturer in the MENA region
- 1,944 sales people targeting physicians and pharmacists across the region
- Strong anti-infective franchise and increasing focus on cardiovascular, diabetes and central nervous system (CNS) products
- US Food and Drug Administration (FDA) approved manufacturing facilities in Jordan and Saudi Arabia
- 377 products in 1,125 dosage forms and strengths
- Key products include Amoclan®, Blopress®, Omnicef®, Prograf®, Suprax®

2015 Branded revenue



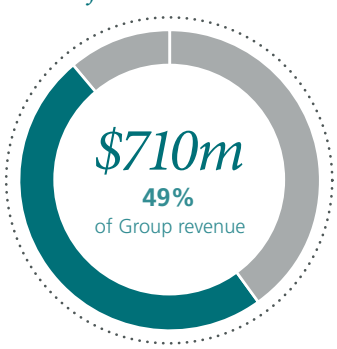
Injectables

Our Injectables business sells specialised generic injectable products globally, with state-of-the-art manufacturing facilities in the US and Europe.

Highlights

- A leading global manufacturer of quality sterile injectables
- US FDA approved manufacturing facilities in the US, Portugal and Germany
- A range of manufacturing capabilities, including sterile liquid, powder, lyophilised and cytotoxic products
- Broad product portfolio including controlled substances, anti-infective, cardiovascular and oncology products
- 185 products in 488 dosage strengths and forms
- Key products include Argatroban, Fentanyl, Glycopyrrolate, Nicardipine, Phenylephrine

2015 Injectables revenue



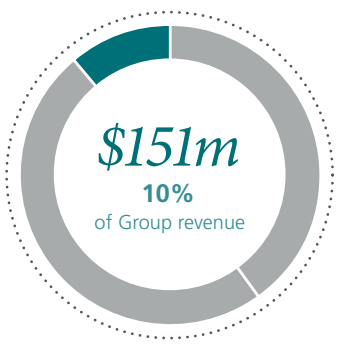
Generics

Our Generics business sells non-injectable generic products in the United States, with an increasingly differentiated portfolio and pipeline.

Highlights

- Quality manufacturing and high service levels
- Strong emphasis on niche products
- Leverages our efficient and lower cost US FDA approved manufacturing facilities in Jordan and Saudi Arabia
- 26 products in 68 dosage strengths and forms
- Key products include 'Butalbital-acetaminophen-caffiene', Captopril, Colchicine, Doxycycline, Prednisone

2015 Generics revenue

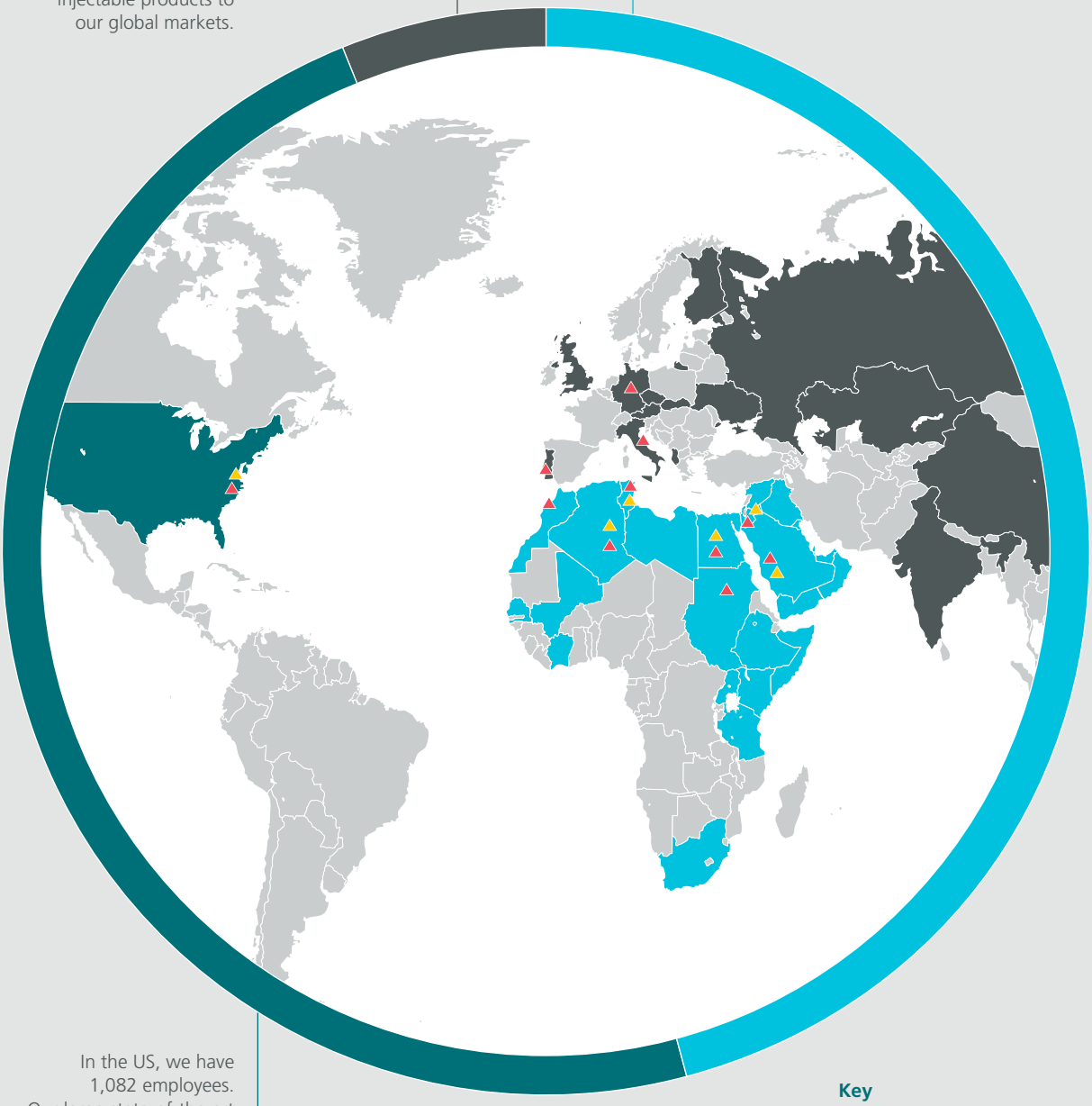


Hikma has 642 employees in Europe – primarily in Portugal, Germany and Italy where we have injectable manufacturing facilities. These facilities supply injectable products to our global markets.

Europe and rest of the world
6%
of Group revenue

MENA region
46%
of Group revenue

Hikma has 5,465 employees in the MENA region. We have local manufacturing facilities in seven MENA markets and sales and marketing teams operating in 17 markets.



In the US, we have 1,082 employees. Our large state-of-the-art manufacturing facilities – one for sterile injectables and one for oral solids – are supplying a broad range of products in the US market.

United States
48%
of Group revenue

Key

- ▲ 27 Manufacturing plants in 11 countries
- ▲ 6 R&D centres

Creating long-term sustainable value

Our success is underpinned by our diversified business model, which enables us to build a leading global injectables business and invest in our non-injectables business in the US, while benefiting from the strength of our market position in the MENA region.

Our inputs

Financial

Through capital investment and M&A, we invest to expand our product portfolio, technical capabilities, geographic reach and manufacturing capacity.

People

We have a highly skilled, diverse and effective workforce. Through continuous training of our people and by hiring in new talent, we are supporting our future development.

Values

We are committed to conducting business in the most ethical way possible and strive to achieve the highest-quality standards. This approach helps ensure our business is sustainable.

Relationships

Strong relationships with regulators and health authorities across all of our markets, and successful collaborations with industry partners enable us to achieve our growth objectives.

Capabilities

We have extensive manufacturing capabilities across our global markets focused on driving operational excellence and greater efficiency.

Our strategy and Key Performance Indicators

To find out more about our strategic priorities and how we've performed against our targets in 2015, see page 16

How we're different

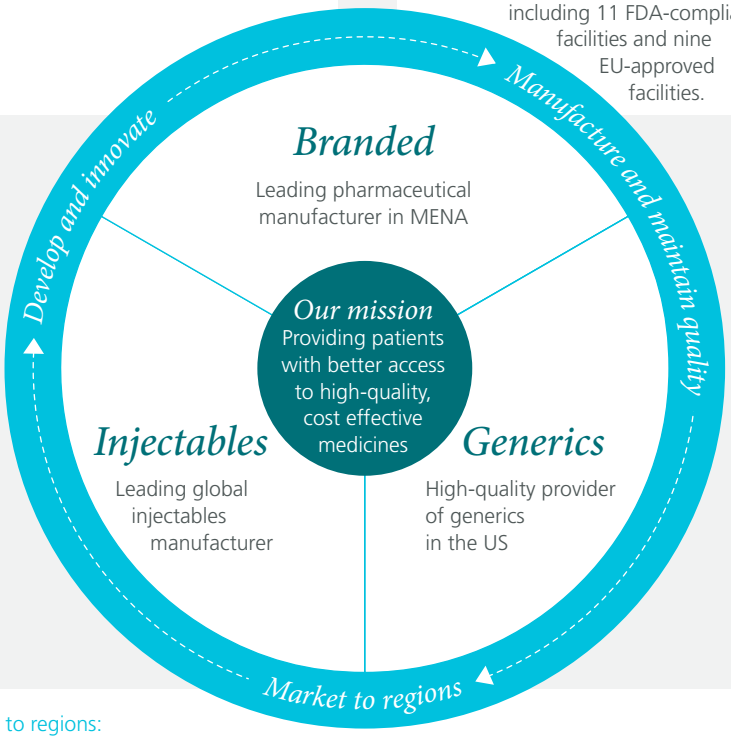
Our commitment to quality

Quality has been the founding principle of Hikma. Our reputation for the highest possible standards ensures our strategic priorities are delivered, whilst maintaining a productive and ethical culture across the Group.

Our activities

Develop and innovate:
We are developing broad and differentiated portfolios of generic, branded generic and in-licensed products through internal R&D, co-development partnerships, licensing agreements and acquisitions.

Manufacture and maintain quality:
We are committed to maintaining the highest quality standards in all of our manufacturing facilities. We have 27 plants across the Group that supply our global markets with a broad range of injectable and non-injectable products, including 11 FDA-compliant facilities and nine EU-approved facilities.



Market to regions:
We actively market, sell and distribute our products in all our markets through experienced sales and marketing teams. In the MENA region, nearly 2,000 representatives promote our brands to doctors and pharmacists, while our national sales teams in the US and Europe are selling to a broad range of customers including the leading wholesalers, pharmacy chains, governments and hospital purchasing organisations.

The value we create

Patient benefits
Our high-quality, affordable generic medicines benefit patients across our markets.

Shareholder returns
Economic and financial returns reinvested for future growth.

Sustainable business
By conducting our business well and acting responsibly, we are benefiting our employees and our communities.

Our unique global footprint

Our presence today spans over 50 countries across the globe. We are leveraging our strong market position and local presence in each of our geographies, capturing attractive growth opportunities.

Our differentiated portfolio

We are continuously developing our product portfolio to address patients' evolving needs, with a greater emphasis on more differentiated products.

Entering a new phase of growth

"We remain very ambitious for Hikma and we are confident in our ability to drive continued growth in the years to come."

We have come a long way

This year we celebrated ten years since Hikma listed on the London Stock Exchange. In 2005, Hikma was just emerging as a global pharmaceutical company, with revenue of $262 million and a market capitalisation of $1.2 billion by year end. With 2015 revenue of around $1.4 billion and a market capitalisation of close to $6 billion, we are firmly established as a leading global pharmaceutical company with a successful and diverse business model.

We remain the leading regional pharmaceutical manufacturer in the MENA region. Our Branded business – a truly unique asset – has grown at a CAGR of 18% since 2005, through a combination of organic growth and strategic acquisitions that completed our footprint in the region and enabled us to consolidate in key markets. We currently employ close to 2,000 sales and marketing professionals in MENA, up from around 330 in 2005, who have extended the awareness and enhanced the perception of Hikma brands across the region.

In Europe, we have built strong injectable sales organisations in Germany, Portugal and Italy and have made significant investment in manufacturing capacity and new technologies. Today, our European manufacturing capabilities are truly impressive. Our high-quality manufacturing facilities in Europe produce 212 products across a range of dosage forms, including vials, ampoules, pre-filled syringes and bags, and we are continuing to invest in new technologies and capabilities. With equipment transferred from Ben Venue, we are expanding our lyophilisation capacity with nine new lyophilisers and have just broken ground on a new oncology centre.

Our business in the US has seen the greatest transformation. The acquisition of Baxter Healthcare's generic injectables business in 2011 and of Bedford Laboratories in 2014

have positioned Hikma as one of the largest suppliers of generic injectables in the US by volume. Through these acquisitions, our injectable product portfolio and pipeline have gained significant breadth and differentiation. Our agreement in 2015 to acquire Roxane, which closed in February 2016, transforms our non-injectables Generics business, adding more than 80 attractive products to our current portfolio and close to 90 differentiated products to our pipeline, and makes us the sixth largest generics company in the United States by value. We expect our US businesses to contribute revenue of around $1.2 billion in 2016, up from just $130 million in 2005. From this strong platform, we are very well positioned for the coming years.

Our business model is sound and all three of our business segments are operating from a position of strength.

Board changes and composition

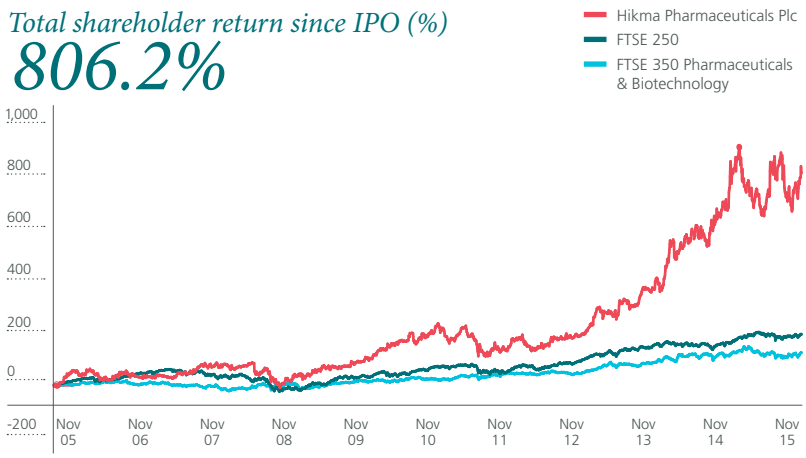
Many of our Directors have been with Hikma since we listed ten years ago, whilst some have joined more recently. I would like to thank all of them for their sound advice and unwavering commitment to Hikma during their tenure on the Board. With their support, Hikma has successfully delivered on its growth strategy. I would like to say a special thanks to Breffni Byrne, who will stand down from the Board this May at our AGM after more than ten years of valuable and committed service, which has included his exemplary chairmanship of the Audit Committee. We wish him well for the future.

Shareholder returns

Since Hikma listed in November 2005, through to the end of 2015, we have delivered a total shareholder return of 806.2%. We are delighted with this performance, which exceeds that of the FTSE 250 index and the FTSE Pharmaceutical index, which gave a total shareholder return of 191.9% and 123.3% respectively, over the same period.

Total shareholder return since IPO (%)

806.2%



Dividends

The Board has recommended a final dividend of 21 cents per share (approximately 14.6 pence) for 2015, bringing the total dividend for the full year to 32 cents per share (approximately 22.3 pence per share), in line with the total dividend paid in 2014. The proposed dividend will be paid on 19 May 2016 to shareholders on the register on 8 April 2016, subject to approval at the Annual General Meeting on 12 May 2016.

Prospects

Our immediate priorities are the integration of Roxane, the continued introduction of the Bedford injectable products and the launch of more differentiated products in the MENA region. Since we closed the Roxane transaction on 29 February 2016, our US and global teams have been working tirelessly to implement our integration plan as swiftly as possible. This is being executed with the strong support of the experienced and talented Roxane team, who will remain an integral part of the combined business going forward.

To conclude, I would like to recognise my father, Samih Darwazah, who passed away in May 2015. He is, of course, sorely missed by the entire Hikma family, yet his legacy lives on in virtually everything we do at Hikma. Daily, we are fulfilling his commitment to making high-quality medicines accessible and affordable for patients across the globe. We are emulating his entrepreneurial spirit as we look for new technologies to invest in and new capabilities to develop. We are following in his footsteps as we look to enter new markets and take on new challenges. We are convinced of the need for continuing education and training as we strive to expand our knowledge and learn new skills. Most importantly, we are working together as a team to build on his success. We remain very ambitious for Hikma and we are confident in our ability to drive continued growth in the years to come.

Said Darwazah
Chairman and Chief Executive Officer

Opportunities for growth across our markets

Hikma's senior management discuss market conditions and the exciting opportunities ahead

Mazen Darwazah, Vice Chairman and CEO of MENA and Emerging Markets

Q. You have a presence in 17 markets across the Middle East and North Africa. How are these markets performing?

The pharmaceutical markets in MENA are performing well. Pharmaceutical sales in the top nine private retail markets, where Hikma generates most of its revenue, reached nearly $12 billion in 2015[1]. Growth in the region continues to be underpinned by favourable demographics, including a fast growing and ageing population, increasing affluence and changing lifestyles. To keep pace, governments and businesses across the MENA region are increasing investments in healthcare. In 2016 alone, it is expected that public and private investment in the Middle East healthcare sector will exceed $150 billion[2]. This level of investment is driving growth across our key markets. Over the next five years, pharmaceutical sales in our largest markets – Saudi Arabia, Algeria, Egypt and Morocco – are expected to grow at an average rate of around 8%. We have a long track record in the MENA region of growing slightly faster than the underlying market, having grown at a constant currency CAGR of 12% over the last five years.

We expect to continue to grow in line with our historical trend by investing in the development of our product portfolio and sales and marketing teams. While strong demand for anti-infectives remains, patients in the MENA region are increasingly suffering from chronic illnesses that require more advanced treatments. Obesity, cancer, diabetes and heart disease are widespread in the MENA region and smoking-related respiratory diseases are increasing. We aim to be a leading provider of medicines in these growing therapeutic areas.

1 IMS Healthcare, YTD December 2015.

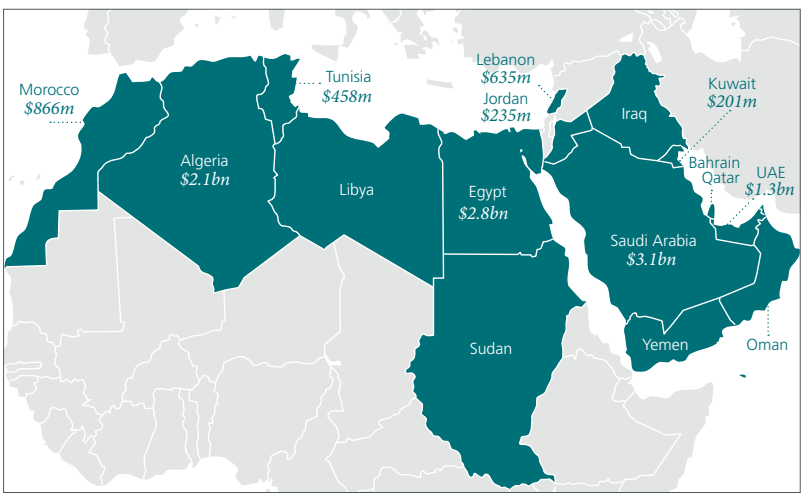
2 Healthcare Spending Surges as Demand Soars, The Middle Eastern Online, Peter Feuilherade.

Q. What are some of the challenges you face operating in the region?

The political and economic environment in the MENA region has created challenges in recent years. Since the initial uprising of the Arab Spring in Egypt and Tunisia at the beginning of 2011, there has been an increased level of political uncertainty in many of our markets. During this period, we have benefited from our strong local presence across the region. In our MENA markets, we are employing local people, investing in high-quality manufacturing facilities, working with local regulators and supporting the growth of the local pharmaceutical markets. This "localness" has differentiated Hikma and enabled us to manage disruptions in the region.

In recent years, currency headwinds in most of the North African countries have had a material impact on our revenue, while rising inflation – and even hyperinflation in markets like Sudan – have had a significant impact on costs. Through a strict focus on costs and operating efficiency, we have been able to manage, and in many cases offset the impact of economic disruptions on our business.

Market size across MENA[1]



Q. Where do you see opportunities for expansion?

As well as continuing to build our position in the MENA region, we are actively looking for opportunities to expand into new emerging markets. We are currently in the process of building a local manufacturing facility in Kazakhstan, a large and attractive pharmaceutical market and an entry point into Russia and neighbouring CIS countries. We have also begun registering products across Sub-Saharan Africa, leveraging our North African operations to supply certain markets in this region.

"We are employing local people, investing in high-quality manufacturing facilities, working with local regulators and supporting the growth of the local pharmaceutical markets."

1 IMS Healthcare, YTD December 2015.

Riad Mechlaoui,
Global Head of Injectables

"Our focus is on continuing our excellent track record of operating high-quality and extremely efficient manufacturing facilities."

Q. Why is the injectables market segment attractive to operate in?

The manufacture of injectable products requires specialised and sterile manufacturing facilities and techniques, and in some cases dedicated machinery, which must meet the strict quality standards imposed by regulatory authorities. Complying with these stringent regulatory requirements, as well as capital intensive manufacturing processes, demands significant continuous investment. At the same time, investment in training and development programmes is essential to ensure the highest levels of precision are implemented throughout the manufacturing process. These factors have created a market with high barriers to entry and, as a result, a limited number of competitors relative to other segments. Specialised technical capabilities, high running costs and the requirement for dedicated operational facilities have further restricted market entry. At the same time, demand for generic injectable products is increasing, with the global market projected to grow from $37 billion in 2013 to $70 billion by 2020[1].

Numerous factors are steadily increasing demand for injectable drugs, including a number of patent expiries, an ageing population, increasing incidence of chronic diseases requiring hospital care and a rise in the number of patients in need of surgery. Governments have also been actively looking to manage rising healthcare costs by increasing the use of generic medicines.

Q. How important is quality? Is it still a differentiating factor?

Quality is absolutely fundamental to our business. Sterile injectable manufacturers must adhere to strict regulations regarding quality control and maintain a stringent internal quality control programme. Companies that can do this well will maintain an edge over their competitors, minimising supply disruptions for their marketed products.

Quality is something that is embedded in the culture of Hikma and is built into every one of our manufacturing processes. Our high-quality manufacturing facilities are clearly differentiated from many of our competitors, and we are benefiting from our ability to continue to reliably supply our customers. In 2015, we successfully brought our Portuguese plant back into compliance with the US FDA, and have continued our focus on maintaining high-quality operations in all our markets.

1 Market Opportunities in the Global Injectables Market, Patricia Van Arnum, 2 March 2015.

Q. What are the key factors to developing long-term sustainable growth for this business?

From early on, the Injectables business has been an important driver of growth for the Group. As our business has grown, so has the diversity of our product portfolio and manufacturing capabilities. Through our Bedford acquisition, we now have a state-of-the-art R&D centre focused on introducing more differentiated products and an exciting pipeline, enhanced by our own business development and R&D efforts. This will enable us to access a broader range of attractive growth opportunities.

As a manufacturer of hospital products used for critical care, we not only have to ensure that the highest quality standards are adhered to and implemented at all times, but to also prioritise patients' and physicians' needs. We have seen an increase in demand for a wider range of medicines as well as advanced, high-quality delivery systems. Both patients and doctors are now requiring better, faster access to treatments and technology, and we are focusing on expanding our portfolio and enhancing our technological capabilities to be able to meet this demand.

Our diversified geographic presence will also bring real advantages going forward. Our well-established presence in the US will enable us to take advantage of the potential of the world's largest generic injectables market. Through direct sales and partnerships, we are in an excellent position to penetrate new markets in Europe. And in the MENA region, where our regional footprint sets us apart from the competition, we have only begun to scratch the surface of our potential as we continue to build our pipeline and leverage our dedicated sales force across our markets.

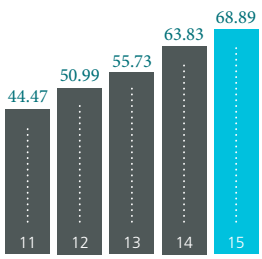
"As our business has grown, so has the diversity of our product portfolio and manufacturing capabilities."

Cherry Hill, USA

Mike Raya, President and Chief Executive of the US

US generics market 5 year CAGR

9.1%



Q. How is the US market performing?

The US generics market grew by 8% in 2015 according to IMS, and is forecasted to grow around 7% per annum over the coming five years[1]. Various factors are driving the growth of generics – namely, a continued focus by payers to minimise overall healthcare spend, along with an ageing population and a rise in chronic illnesses. Further healthcare reform should also benefit the pharmaceutical industry, increasing insurance coverage for prescription drugs and encouraging higher use of generics.

While the US generics market continues to grow, the market dynamics are changing. Leading pharmaceutical manufacturers have been consolidating, as have their main wholesale and retail customers, as scale is becoming increasingly important. After the closing of Roxane, Hikma will be the sixth largest player in the US generics market by value and the third largest supplier of generic injectables by volume.

Q. How will the focus on pricing impact you in the future?

Concerns about drug pricing have sparked intense debate in 2015. I think it is important to point out that, for many years, generic manufacturers have been playing a key role in driving down healthcare costs, making medication more affordable and accessible to millions of patients. Over the last ten years, generic drugs were responsible for around $1.7 trillion in healthcare savings. These savings are expected to continue in the US in the coming years[2].

As a key player in the generics industry, our aim is to be responsible when it comes to pricing and to be a reliable partner. Across our Generics portfolio, price declines tend to outpace price increases, which are typically implemented to offset certain market risks, such as limited inventory or Active Pharmaceutical Ingredients (API) price increases, or to offset certain opportunity costs related to responding to market shortages for critical care products.

Ultimately, our goal is to be a reliable supplier to our customers and partners. Quality and manufacturing issues have disrupted supply of certain products in the US for a number of years. We are focused on maintaining the supply of our products in the market and on helping to address shortages wherever possible. Through the acquisition of Bedford, we were able to bring back two important products to the US market in 2015, resolving acute market shortages.

1 US Pharmaceuticals and Healthcare Report Q4 2015, BMI Research, 9 September 2015.

2 Generic Pharmaceutical Association, Generic Drug Savings in the U.S, Seventh Edition: 2015.

Q. What are the factors for long-term sustainable growth in this market?

Our overarching strategic priority for our US business is to drive sustainable growth by continuously evolving our product portfolio in response to the changing needs of doctors and patients. The more differentiated our product portfolio is, the better we can address these changing needs. Through our in-house R&D, our business development efforts and acquisitions, we have been building a more differentiated product pipeline across a range of therapeutic areas, dosage forms and delivery systems.

Quality will, of course, remain a priority for the Group and is essential for long-term sustainable growth. Our excellent track record for regulatory compliance has been a key differentiator for us in the US market. Like many of our competitors, we have not been immune to regulatory issues, but we have demonstrated to our customers that we will address any issues swiftly and aggressively in order to minimise any impact on the supply of our products to patients. This approach has enabled us to strengthen our relationships with our customers, for whom we have become a trusted partner.

"We remain focused on providing high-quality affordable products to patients, ensuring we have a sustainable business for the future."

Cherry Hill, USA

Our strategy for sustainable long-term growth

Our strategy is to deliver high-quality, affordable generic and branded generic medicines to patients by strengthening our position as a leading global injectables manufacturer, developing our portfolio of non-injectable products for the US market and leveraging our position as a leading pharmaceutical manufacturer in MENA and emerging markets.

We are delivering our strategy through our key strategic initiatives and measuring our performance using relevant key performance indicators (KPIs).

Our strategy and Key Performance Indicators

To find out more about how we've performed in each of our business segments, go to the business and financial review

Branded 18
Injectables 22
Generics 28

Maximising portfolio opportunities

Commitments

We are committed to maximising the potential of our marketed products, leveraging our skilled sales and marketing teams and building on our strong customer relationships.

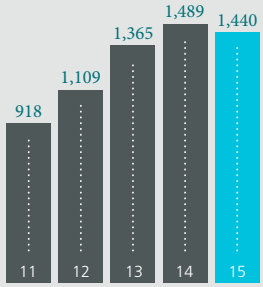
2015 Highlights

- Good performance in our Branded and Injectables businesses was offset by expected declines in our Generics business
- Branded revenue up 3%, or 13% in constant currency
- Injectables revenue in line with 2014
- Generics revenue down 30% reflecting expected declines in specific market opportunities

Key performance indicators

Group revenue ($m)

$1,440m



2016 Objectives

- Targeting Group revenue in excess of $2 billion
- Continued strong performance in Branded, in constant currency
- Injectables growth in the mid to high single digits
- Generics revenue in the range of $640 million to $670 million

Strengthening and broadening our product portfolio

We are broadening our product offering with differentiated products through in-house R&D, external partnerships and product acquisitions.

- Received three approvals for former Bedford products ahead of expectations
- Total investment of $71 million in R&D and product-related investments (5% of Group sales)

Maintaining high-quality manufacturing facilities and efficient operations

We are investing in high-quality manufacturing facilities to improve the efficiency of our processes, whilst maintaining tight control of overheads, general and administrative and other operating expenses.

- Good control of cost across the Group
- Returned our Portuguese facility to full US FDA compliance
- Profit before tax declined due to the reduction in certain market opportunities in the US

Investing for growth

We are investing to expand our product portfolio, technological capabilities, geographic reach and manufacturing capacity, though capital investment and M&A.

- Agreed acquisition of Roxane
- Transferred significant equipment and machines from Ben Venue to our operations in the US and Europe

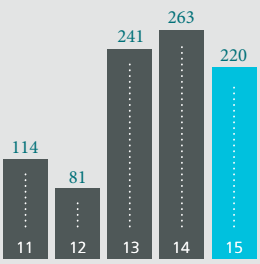
Developing a highly skilled and effective workforce

We are continuously investing in the training and development of our people whilst hiring talented new employees to support our future growth plans.

- Launched the 'Women Empowerment' programme across our global key markets

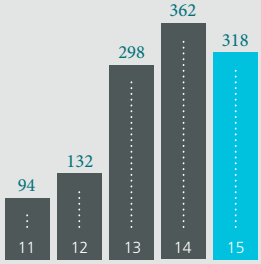
Product approvals

220



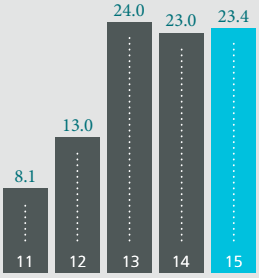
Group profit before tax ($m)

$318m

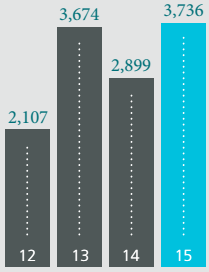


Return on invested capital (%)

23.4%



Number of employees with length of service of more than five years



Ensuring long-term sustainable growth

- Targeting a further eight approvals for former Bedford products
- Targeting 14 product approvals in our Generics business, including eight from the Roxane pipeline

- Continuing to invest in quality across our facilities
- Upgrading the newly acquired manufacturing plant in Egypt

- Completing the new manufacturing facility in Portugal
- Continuing to evaluate investment opportunities across our markets

- Rolling out behavioural training programme for employees across various levels at Hikma to ensure the continuous development of professionalism in the workplace

Branded

from

Opportunity

Egypt is one of the largest pharmaceutical markets in the MENA region. Egypt's growing population of around 88 million people and its improving economic outlook makes it an attractive market for investment.

to

Growth

Since entering the Egyptian market in 2007, we have developed a strong product portfolio, a market leading sales and marketing team, high-quality manufacturing facilities, and an attractive pipeline in order to strengthen our market position and drive future growth.

Branded

Building on our leading position in the MENA region

Strong growth in revenue and profitability in constant currency driven by good performance across our key markets

	Maximising portfolio opportunities	*Strengthening and broadening our product portfolio*	*Maintaining high-quality manufacturing facilities and efficient operations*	*Investing for growth*	*Developing a highly skilled and effective workforce*
2015 Highlights	• Strong rebound in Algeria following implementation of restructuring and management change • Excellent performance in Egypt with 14 new product launches in more chronic therapeutic areas • Double digit growth in the GCC driven by enhanced distribution channels	• Launched 54 products • Received 139 approvals • Signed three new licensing agreements for more innovative products	• Received US FDA approval for our oncology plant in Sahab, Jordan • Successfully completed FDA inspections of our facilities in Jordan and Saudi Arabia • Good control of overheads and operating costs	• Acquired EUP to further strengthen our position in the fast-growing Egyptian market • Launched greenfield investment in Kazakhstan to gain a foothold in the CIS and Russia	• Launched the AUB training programme for middle management across our businesses in North Africa
2016 Objectives	• Targeting continued strong performance in Algeria, Egypt and Saudi Arabia and recovery in Iraq	• Leverage our local R&D capabilities to accelerate development of new higher value products	• Maintain strict focus on quality across our MENA sites • Upgrade newly acquired EUP facility in Egypt	• Targeting M&A opportunities in emerging markets • Pursuing licensing and other partner agreements	• Leverage newly implemented development centre to provide enhanced training opportunities

Ensuring sustainable long-term growth

Measuring our performance

Revenue ($ m)

Core adjusted operating margin[1] (%)

Marketed products

1 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating margin.

Summary financial highlights – Branded

$ million	2015	2014	Change	Constant currency change[1]
Revenue	**570**	551	+3%	+13%
Gross profit	**277**	267	+4%	+18%
Gross margin	***48.6%***	*48.5%*	*+0.1pp*	*+2.2pp*
Core operating profit[2]	**118**	111	+6%	+34%
Core operating margin[3]	***20.7%***	*20.1%*	*+0.6pp*	*+3.9pp*

2015 Highlights

- Branded revenue up 3% to $570 million, up 13% in constant currency
- Double digit growth in constant currency in Egypt, the GCC and Morocco and an excellent recovery in Algeria
- Branded core operating profit up 6% to $118 million, up 34% in constant currency
- Branded core operating margin was 20.7%, or 24.0% in constant currency
- Expecting the Branded business to perform in line with historical trends in 2016, on a constant currency basis

Branded revenue increased by 13% in 2015, before the impact of adverse movements in the Algerian dinar, Moroccan dirham, Tunisian dinar, Egyptian pound and Sudanese pound against the US dollar. On a statutory basis, Branded revenue increased by 3% to $570 million, compared with $551 million in 2014. Through a continued focus on strategic, higher value products and new product launches, we achieved double digit growth, on a constant currency basis, in each of our top markets – Algeria, Egypt, the GCC and Morocco.

In Algeria, revenue increased by 24%, or 54% in constant currency, following the restructuring we undertook in 2014. Our Egyptian business grew by 18% in constant currency, reflecting successful recent product launches, including one product for which Hikma was the first supplier on the market. In the GCC, which includes Saudi Arabia and the UAE, revenue increased by 14%, driven by the prioritisation of strategic products, stronger distribution capabilities, and the broadening of our customer base, with an increased focus on institutions. Revenue in Morocco also grew in the double digits in constant currency, driven by new product launches and an enhanced focus on strategic products. These strong performances more than offset lower sales in Iraq and Libya, where political disruptions persist, and in Sudan, which continues to suffer from hyperinflation.

During 2015, the Branded business launched a total of 54 products across all markets, including one new compound and two new dosage forms and strengths. The Branded business also received 139 regulatory approvals across the region.

Revenue from in-licensed products increased from $219 million to $225 million in 2015, representing 40% of Branded revenue, in line with 2014. We signed three new licensing agreements for innovative products during 2015, which will help us to grow our portfolio of higher value products in growing therapeutic categories.

One of the licensing agreements signed during the year was with Vitabiotics, the UK's largest nutraceutical and vitamin company. Under the terms of the agreement, Hikma has the exclusive rights to register, market, distribute and sell five of Vitabiotics' leading specialist products in 15 of its MENA markets. In addition, we have the exclusive rights to market, distribute and sell the full Vitabiotics product range in five of these markets. Our large sales and marketing teams are well positioned to drive strong demand for Vitabiotics' rich portfolio of products, which include some of the fastest growing supplements in the UK and eight brand leaders.

Branded gross profit increased by 4% to $277 million in 2015 and gross margin was 48.6%, compared to 48.5% in 2014. The benefit of a more favourable product mix, the strong recovery in Algeria and good control of costs were offset by the net impact of exchange rates.

Core operating profit, which excludes the amortisation of intangibles of $8 million and exceptional severance costs of $5 million, increased by 6% to $118 million, or 34% in constant currency. Core operating margin was 20.7%, or 24.0% in constant currency, up from 20.1% in 2014. This margin improvement primarily reflects careful management of operating expenses during the year.

In 2016, we expect the Branded business to perform in line with historical trends, on a constant currency basis. We expect revenue growth to be driven by strong underlying market growth, our focus on strategic products and the strength of our sales and marketing teams. Improvement in the Branded core operating margin is expected to be driven by revenue growth and operational leverage.

1 Constant currency numbers in 2015, represent statutory 2015 numbers restated using average exchange rates in 2014.

2 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating profit.

3 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating margin.

Injectables

from

Opportunity

In 2014, we acquired Bedford Laboratories from Boehringer Ingelheim, adding more differentiated injectable products to our portfolio and pipeline, and a state-of-the-art QDC centre with 39 R&D employees.

to

Growth

We are investing in future capacity through the transfer of equipment and machines from the Ben Venue facility to our US and European facilities, enhancing our technological capabilities and enabling us to maximise the potential of our product portfolio.

Strengthening our global injectables platform

Continued solid performance with excellent profitability

	Maximising portfolio opportunities	*Strengthening and broadening our product portfolio*	*Maintaining high-quality manufacturing facilities and efficient operations*	*Investing for growth*	*Developing a highly skilled and effective workforce*
2015 Highlights	• New launches in the US offset increased competition on certain products • Good demand for recently launched products and contract manufacturing drove EU growth • Strong performance in the MENA resulting from dedicated sales efforts	• Completed tech transfer of more than 20 Bedford products to our global manufacturing sites • Submitted over 300 products across our markets, including 240 submissions in new markets across Europe	• Successfully brought back our facility in Portugal to full US FDA compliance • Good control of costs year-on-year drove decline of overhead costs	• Enhanced our injectables manufacturing capabilities, adding new technologies, including pre-filled syringe and bag lines • Transferred and installed equipment from Ben Venue in our US and European facilities	• Successfully integrated the Bedford team • Strengthened our sales and marketing and R&D teams
2016 Objectives	• Expecting new launches to continue to drive growth in the US • Targeting increased penetration of new European markets through new product approvals • Roll out of Remsima to new markets in MENA	• Continue the transfer of the Bedford products to further enhance our product pipeline • Focus on new product development through R&D and business development	• Ensure our injectables quality control and operational teams continue to rotate across our plants in Europe and the US	• Invest in new technologies across our manufacturing sites • Complete the expansion of our injectables facility in Portugal	• Continue to implement our R&D and technical rotation programme

Ensuring sustainable long-term growth

Measuring our performance

Revenue ($ m)

Core adjusted operating margin[1] (%)

Marketed products

1 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating margin.

Summary financial highlights – Injectables

$ million	2015	2014	Change	Constant currency change[1]
Revenue	**710**	713	0%	+3%
Gross profit	**449**	431	+4%	+6%
Gross margin	***63.2%***	*60.4%*	*+2.8pp*	*+1.7pp*
Core operating profit[2]	**312**	265	+18%	+19%
Core operating margin[3]	***43.9%***	*37.2%*	*+6.8pp*	*+5.8pp*

Injectables revenue by region

	2015		2014	
US	**546**	**77%**	548	77%
MENA	**92**	**13%**	90	12%
Europe and ROW	**72**	**10%**	75	11%
Total	**710**		713	

2015 Highlights:

- Global Injectables revenue of $710 million, in line with 2014 and guidance; in constant currency, Injectables revenue was up 3%
- Core operating margin increased to 43.9%, from 37.2% in 2014, well ahead of guidance, through a combination of a favourable product mix, better cost control and operating leverage
- Launched first three Bedford products and expecting a further nine Bedford launches in 2016
- Successfully resolved US FDA Warning Letter at Portuguese facility
- Expecting mid to high single digit revenue growth in 2016 and core operating margin to return to a more normalised level of around 36%

In 2015, our global Injectables revenue was $710 million, in line with our expectations following the extremely strong performance in the prior year, when revenue increased by 33%, driven in part by specific market opportunities. In constant currency, global Injectables revenue increased by 3%.

US Injectables revenue was $546 million, in line with 2014. During the year, we benefited from our broad product portfolio and the continuation of certain specific market opportunities. The impact of increased competition for some of our existing products was offset by new product launches. Bedford is now well integrated into our global Injectables business and we are ahead of schedule with the technical transfer of the former Bedford products to our manufacturing sites. Three of the approvals received during the year were for former Bedford products, demonstrating the strength of our R&D and regulatory capabilities, and we are confident that we will achieve our target of 20 Bedford product launches by the end of 2017.

In November 2015, we sold the Ben Venue manufacturing facilities in Bedford, Ohio to Xellia Pharmaceuticals. The Ben Venue site included four manufacturing plants and a Quality and Development Centre (QDC) with a team of R&D scientists. We have retained the QDC and Bedford's strong R&D team to expedite the technical transfer and reactivation of Bedford's products. We have also transferred equipment,

1 Constant currency numbers in 2015, represent statutory 2015 numbers restated using average exchange rates in 2014.

2 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating profit.

3 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating margin.

Injectables – *Continued*

Bedford, USA

including lyophilisers and filling lines, to our other global manufacturing facilities in the US and Europe to support our future growth plans.

MENA Injectables revenue increased by 2% to $92 million, or by 14% in constant currency. Strong growth in Algeria, Saudi Arabia and Egypt more than offset declines in Iraq and Sudan. We have enhanced our focus on sales and marketing for injectable products in MENA and expanded our dedicated Injectables team.

In September 2015, we agreed to acquire EIMC United Pharmaceuticals (EUP), strengthening our oncology and injectables capabilities in Egypt. The acquisition was completed in February 2016. EUP brings an attractive portfolio in these two important growth areas for Hikma, with the potential to add around 50 products by 2020. It also adds a manufacturing facility in Egypt with both oral and injectables lines. We will leverage our established market position in Egypt and large sales and marketing team to maximise the potential of EUP.

European Injectables revenue decreased by 4% to $72 million and increased by 15% in 2015 in constant currency. Higher demand for certain products and new contract manufacturing business contributed to the strong performance. In 2015, we expanded our EU registration teams and our sales and marketing capabilities in order to cover new European markets. These efforts are expected to start generating sales in 2016.

In November 2015, we received a letter from the US Food and Drug Administration (FDA) closing out the Warning Letter received in October 2014 in respect of the manufacturing plant in Portugal. This demonstrates that the corrective actions taken in response to the Warning Letter were fully reviewed and accepted by the US FDA.


Sintra, Portugal

Injectables gross profit increased by 4% to $449 million in 2015, compared with $431 million in 2014. Gross margin increased to 63.2%, compared with 60.4% in 2014. This reflects continued strong sales from certain market opportunities in the US, a good performance from other higher value products and efficient management of manufacturing overhead.

Core operating profit, which excludes the gain from the sale of the Ben Venue site, related hibernation costs, proceeds from legal claims and the amortisation of intangible assets other than software, increased by 18% to $312 million in 2015. Core operating margin increased to 43.9%, up from 37.2% in 2014. The strong improvement in core operating margin reflects operational leverage resulting from good control of sales and marketing and general and administrative expenses and better management of inventories. The improvement also reflects lower R&D expenses, as $23 million of R&D expenses related to the technical transfer of the former Bedford products was capitalised on the balance sheet, in line with our accounting policies.

During 2015, the Injectables business launched a total of 37 products across all markets, including six new compounds and ten new dosage forms and strengths. The Injectables business also received a total of 79 regulatory approvals across all regions and markets, namely 39 in MENA, 26 in Europe and 14 in the US. We also signed one new licensing agreement during 2015.

We expect Injectables revenue growth to be in the mid to high single digits in 2016, with competition on marketed products being more than offset by new product launches from our R&D, business development and Bedford pipelines. We expect core operating margin to return to a more normalised level of around 36%, primarily due to a change in product mix and an increase in R&D expenses.

Generics

from

Opportunity

With a market size close to $60 billion in value, the non-injectable generics market in the US continues to grow. We have been investing in our US facilities and actively developing our product pipeline, targeting more attractive niche segments of the market.

to

Growth

The recent acquisition of Roxane brings significant scale to our US business and offers excellent growth opportunities through its broad portfolio and differentiated pipeline.

Generics

Investing for future growth

Excellent strategic progress, transforming our prospects in the US

	Maximising portfolio opportunities	*Strengthening and broadening our product portfolio*	*Maintaining high-quality manufacturing facilities and efficient operations*	*Investing for growth*	*Developing a highly skilled and effective workforce*
2015 Highlights	• Delivered growth from our legacy products • Launched MITIGARE™ and an authorised generic for the treatment of gout	• Submitted three products from our internal R&D • Signed new partnership agreements for 18 new products	• Strengthened our operations by leveraging our global quality control employees	• Agreed to acquire Roxane from Boehringer Ingelheim	• Strengthened our internal legal and intellectual property (IP) teams • Established nationwide branded salesforce
2016 Objectives	• Successfully integrate Roxane into our business • Leverage combined Hikma and Roxane portfolios to strengthen our relationship with our customers • Leverage new promotion capabilities to increase MITIGARE™ market share	• Leverage Roxane's R&D capabilities to ensure successful pipeline development and more differentiated launches	• Integrate the Roxane business to accelerate growth and achieve operational synergies • Expect to deliver cost savings in the range of $35 million to $45 million by 2017	• Continue to pursue product acquisitions and new third party partnerships to enhance our pipeline	• Integrate Roxane's highly skilled employees into the Hikma team

Ensuring sustainable long-term growth

Measuring our performance

Revenue ($ m)

Core adjusted operating margin[1] (%)

Marketed products

1 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating margin.

Summary financial highlights – Generics

$ million	2015	2014	Change
Revenue	**151**	216	-30%
Gross profit	**89**	150	-41%
Gross margin	***58.9%***	*69.4%*	*-10.5pp*
Core operating profit[1]	**46**	113	-59%
Core operating margin[2]	***30.5%***	*52.3%*	*-21.8pp*

2015 Highlights:

- Generics revenue of $151 million, in line with recent guidance and down 30% on 2014, reflecting the expected decline in specific market opportunities
- Generics core operating profit of $46 million, with a core operating margin of 30.5%
- Agreed to acquire Roxane Laboratories, transforming our prospects for the Generics business
- Expecting 2016 revenue in the range of $640 million to $670 million, including ten months of contribution from Roxane and taking into account the divestiture of certain legacy products associated with the acquisition of Roxane. Core Generics operating margin is expected to be in the low double digits
- Continue to expect 2017 Roxane revenues in the range of $700 million to $750 million and Roxane EBITDA margin of around 35% over the medium term

Generics revenue was $151 million, in line with our most recent guidance and down 30% compared to $216 million in 2014. As expected, the specific market opportunity that contributed to the very strong performance in 2014 continued to decline significantly during the course of 2015 due to increased competition. This was partially offset by strong volume growth in the legacy portfolio.

In January 2015, we launched colchicine 0.6mg capsules under the brand name Mitigare, alongside an authorised generic for Mitigare. By July, we had established a nationwide salesforce and sales began to build gradually in the second half of the year, albeit more slowly than our initial expectations. We are confident that colchicine sales will continue to grow in 2016 given our ability to significantly improve managed care access, pharmacy shelf stock and physician and patient awareness.

Generics gross profit was $89 million, compared with $150 million in 2014, and gross margin was 58.9%, compared with 69.4% in 2014, as a result of the continued decline in revenue from specific market opportunities. Core operating profit was $46 million, compared with $113 million in 2014, and core operating margin was 30.5% in 2015, compared with 52.3% in 2014. In addition to the continued decline in revenue from specific market opportunities, higher sales and marketing spend related to the establishment of a branded salesforce contributed to the decline in core operating margin.

1 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating profit.

2 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating margin.

Generics – *Continued*

During 2015, the Generics business launched one new compound and one new dosage form and strength, and received two product approvals. The Generics business also signed new licensing agreements for 19 new products.

On 29 February 2016, following the satisfaction of the remaining conditions to closing including shareholder approval and the divestiture of three products from our legacy Generics business (representing approximately $20 million in revenue in 2015), we completed the Roxane acquisition.

The acquisition of Roxane transforms Hikma's position, scale and potential in the US generics market, establishing Hikma as the sixth largest company by revenue[1]. It adds significant breadth to our US portfolio, bringing 88 highly differentiated products in specialised and niche segments of the market, including oncology, respiratory, extended release and controlled substances. It also enhances our pipeline, adding 89 R&D projects, including 57 Paragraph IV products, 13 of which are first-to-file opportunities. The acquisition strengthens our ability to drive sustainable long-term growth, adding Roxane's highly experienced R&D team with a successful track record of bringing new and differentiated products to market as well as a best-in-class manufacturing facility and technological capabilities. We have planned extensively for the integration of Roxane and are working to swiftly integrate it within our US Generics business.

2016 revenue for the combined Generics business is expected to be in the range of $640 million to $670 million, including ten months of contribution from Roxane and taking into account the divestiture of certain legacy products. Core Generics operating margin is expected to be in the low double digits.

We expect Roxane's full year revenue in 2016 to be below $650 million as previously disclosed, with increased competition on the current marketed portfolio partially offset by revenue from recent and planned new product launches. Roxane's revenues are then expected to increase to between $700 million to $750 million in 2017 as new product launches accelerate. We continue to expect Roxane's EBITDA margin to reach around 35% over the medium term. This high level of profitability will be achieved through the launch of certain high value products and specific cost savings, which are expected to be in the range of $35 million to $45 million by 2017. We continue to expect the acquisition to be slightly dilutive to core[2] earnings per share (EPS) in 2016 and strongly accretive to core EPS thereafter.

"The acquisition of Roxane transforms Hikma's position, scale and potential in the US generics market."

Other businesses

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the API manufacturing division of Hikma Pharmaceuticals Limited Jordan, contributed revenue of $9 million in 2015, unchanged from 2014. These other businesses had an operating loss of $5 million in 2015, also unchanged from 2014.

1 IMS Healthcare, YTD sales value December 2015, adjusted to reflect recent M&A activity.

2 Before the exceptional item and other adjustment as set out in note 5 to the financial information.

Eatontown, USA

Entering a new phase of growth

Group

Group revenue was $1,440 million in 2015, down 3% from 2014. Group gross profit decreased by 4% to $818 million, compared with $851 million in 2014. Group gross margin was 56.8% compared with 57.2% in 2014.

Group operating expenses declined by 3% to $437 million, compared with $449 million in 2014. Excluding the amortisation of intangible assets other than software and exceptional items, Group operating expenses declined by 4% to $409 million compared with $424 million in 2014. In 2015, amortisation of intangible assets other than software was $16 million, compared to $14 million in 2014. In 2015, exceptional items included within operating expenses were $12 million, compared to $11 million in 2014, and included acquisition and integration costs related to the Roxane transaction, severance costs and non-recurring hibernation costs at the Ben Venue site, offset by a gain from the sale of the Ben Venue site and a successful litigation settlement. The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing expenses were $172 million, or 12% of revenue, compared with $171 million and 11% of revenue in 2014. An increase in marketing expenses related to the establishment of a nationwide branded salesforce in the US was offset by a reduction in marketing expenses in the MENA region and lower supply-related penalties.

General and administrative expenses increased by $15 million to $200 million in 2015. Excluding exceptional severance costs in the MENA region and acquisition and integration related expenses, G&A expenses increased by $6 million, or 3%, primarily due to an increase in employee benefits.

In 2015, we continued to invest in R&D across our three businesses to drive future growth. Group R&D expenditure was $36 million in 2015, compared with $55 million in 2014. An additional $35 million was invested in the technical transfer of the former Bedford products to our facilities and other product acquisitions and was capitalised on the balance sheet. In total, R&D and product-related investment represented $71 million (5% of Group revenue) during the period, compared to $79 million (5% of Group revenue) in 2014. In 2016, we expect Group R&D expense to increase to around $150 million due to the consolidation of Roxane and its high levels of R&D spend.

Other net operating expenses decreased by $9 million to $29 million. Excluding exceptional items, these expenses decreased by $1 million, primarily reflecting better inventory management and a decrease in foreign exchange losses, partly offset by the additional costs of maintaining the Ben Venue manufacturing facility that was acquired in the second half of 2014.

Core Group operating profit decreased by 4% to $409 million in 2015 and operating margin was 28.4% compared with 28.7% in 2014.

Research & Development[1]

The Group's product portfolio continues to grow as a result of our product development efforts. During 2015, we launched eight new compounds. The Group's portfolio now stands at 588 compounds in 1,681 dosage forms and strengths[2]. We manufacture and/or sell 76 of these compounds under licence from the licensor.

Across all businesses and markets, a total of 92 products were launched during 2015. In addition, the Group received 220 approvals.

To ensure the continuous development of our product pipeline,

1 Products are defined as pharmaceutical compounds sold by the Group. New compounds are defined as pharmaceutical compounds being introduced for the first time during the period and existing compounds being introduced into a new segment.

2 Totals include 71 dermatological and cosmetic compounds in 282 dosage forms and strengths that are only sold in Morocco.

we submitted 505 regulatory filings in 2015 across all regions and markets. As of 31 December 2015, we had a total of 1,250 pending approvals across all regions and markets. At 31 December 2015, we had a total of 144 new products under development.

Results from associated companies

In 2015, we recognised a loss from associated companies of $2 million related to our minority interest in Unimark Remedies Limited (Unimark). In addition, we impaired the remaining investment balance related to Unimark by taking an impairment charge of $7 million. In 2016, we are divesting our interest in Unimark to satisfy US FTC requirements related to closing the Roxane transaction for minimal value.

Net finance expense

Net finance expense amounted to $54 million in 2015, up from $34 million in 2014. The increase is mainly attributed to the interest paid on the $500 million 4.25% Eurobond issued in April 2015. In 2016, we expect the Group's net finance expense to be around $62 million, reflecting increased interest expense and financing fees related to Roxane. In addition, we expect to incur other non-cash expenses resulting from the revaluation of the fair value of future royalty payments.

Profit before tax

Core profit before tax decreased by 8% to $355 million, compared with $387 million in 2014.

Tax

The Group incurred a tax expense of $64 million, compared with $80 million in 2014. The effective tax rate was 20.1%, compared with 22.1% in 2014. The reduction in the effective tax rate reflects increased earnings in lower taxed jurisdictions, combined with lower earnings in the US. In 2016, the effective tax rate is expected to be around 25%. This is expected to return closer to 2015 levels over the medium term.

Profit attributable to shareholders

Profit attributable to shareholders decreased by 9% to $252 million, compared to $278 million in 2014. Core profit attributable to shareholders decreased by 4% to $286 million in 2015, compared to $299 million in 2014.

Earnings per share

Basic earnings per share decreased by 10% to 126.6 cents in 2015, compared to 140.4 cents in 2014. Core basic earnings per share decreased by 5% to 143.7 cents, compared with 151.0 cents in 2014. Core diluted earnings per share decreased by 5% to 142.3 cents, compared with 149.5 cents in 2014.

Dividend

The Board is recommending a final dividend of 21 cents per share (approximately 14.6 pence) for 2015, bringing the total dividend for the full year to 32 cents per share (approximately 22.3 pence per share), in line with the total dividend paid in 2014. The proposed dividend will be paid on 19 May 2016 to shareholders on the register on 8 April 2016, subject to approval at the Annual General Meeting on 12 May 2016.

Hikma product portfolio pipeline

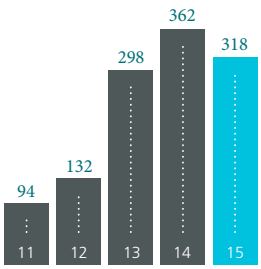
	Total marketed products		Products launched in 2015			Products approved in 2015	Products pending approval as at 31 December 2015
	Compounds	Dosage forms and strengths	New compounds	New dosage forms and strengths	Total launches across all countries[1]	Total approvals across all countries[1]	Total pending approvals across all countries[1]
Branded	377	1,125	1	2	54	139	524
Injectables	185	488	6	10	37	79	666
Generics	26	68	1	1	1	2	60
Group	**588**	**1,681**	**8**	**13**	**92**	**220**	**1,250**

1 Totals include all compounds and formulations that are either launched or approved or pending approval across all markets, as relevant.

Group performance – *Continued*

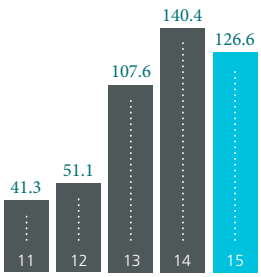
Group profit before tax ($m)

$318m



Earnings per share (cents)

126.6



Net cash flow, working capital and net debt

The Group generated operating cash flow of $366 million in 2015, down $59 million from $425 million in 2014. This reflects the lower contribution from specific market opportunities for the Generics business and higher working capital investments in the US. Working capital days were 177 days in 2015, in line with 2014 levels. Capital expenditure was $82 million, compared with $91 million in 2014. Of this, $40 million was spent in MENA to upgrade and maintain our equipment and facilities across a number of markets. The remaining $42 million was spent in the US and Europe, primarily to expand our Injectables manufacturing capacity, including the installation of equipment from Ben Venue. In 2016, we expect Group capital expenditure to be around $200 million, including Roxane.

The Group's net debt (excluding co-development agreements) stood at $135 million at the end of 2015, compared to $274 million at the end of 2014. In April 2015, we strengthened our financing capabilities with the issuance of a $500 million Eurobond due April 2020. The proceeds were partially used to refinance existing debt facilities, including the Bedford bridge loan of $225 million.

On 29 February 2016, the acquisition of Roxane closed and the net cash consideration of $575 million (net of certain working capital and other adjustments) was paid to Boehringer. In addition, 40,000,000 new shares were issued to Boehringer at a price of 1881p, bringing the combined net consideration paid at closing to approximately $1.6 billion, using the US:GBP exchange rate of 1.3879:1. The cash consideration was funded through a combination of cash and the utilisation of the Group's existing debt facilities. Should certain further targets be met, further payments could be triggered.

Balance sheet

Net assets as at 31 December 2015 totalled $1,352 million, compared to $1,216 million in 2014. Net current assets increased to $768 million, compared to $172 million in 2014.

During the period, shareholder equity was negatively impacted by an unrealised foreign exchange translation loss of $67 million, primarily reflecting movements in the Euro, the Algerian dinar, Moroccan dirham, Egyptian pound and the Sudanese pound against the US dollar and the translation of net assets denominated in these currencies.

Summary and outlook

The Group performed well in 2015, and made excellent strategic progress. The Branded business remains well positioned to continue the strong performance achieved in 2015. In 2016, we expect the Branded business to perform in line with historical trends, on a constant currency basis, driven by strong underlying market growth, our focus on strategic products and the strength of our sales and marketing teams. Improvement in the Branded core operating margin is expected to be driven by revenue growth and operational leverage.

We expect Injectables revenue growth in the mid to high single digits in 2016, with competition on marketed products being more than offset by new product launches from our R&D, business development and Bedford pipelines. We expect core

operating margin to return to a more normalised level of around 36%, due primarily to a change in product mix and higher R&D expenses.

2016 revenue for the combined Generics is expected to be in the range of $640 million to $670 million, including ten months of contribution from Roxane and taking into account the divestiture of certain legacy products. Core Generics operating margin is expected to be in the low double digits.

We expect Roxane's full-year revenue in 2016 to be below $650 million, increasing to between $700 million to $750 million in 2017, as previously disclosed. We expect Roxane's EBITDA margin to reach around 35% over the medium term. This high level of profitability will be achieved through the launch of high value products and cost savings, which are expected to be in the range of $35 million to $45 million by 2017. We continue to expect the acquisition to be slightly dilutive to core earnings per share (EPS) as we integrate the business in 2016 and strongly accretive to core EPS thereafter.

Overall, we are expecting Group revenue in 2016 to be in the range of $2.0 billion to $2.1 billion including the contribution of ten months of revenue from Roxane, with continuing momentum into 2017.

Our statutory results in 2016 will be impacted by a number of exceptional, non-cash and other charges including the amortisation of intangible assets, an inventory step up, the revaluation of the fair value of future royalty payments and one-off acquisition and integration costs. In aggregate, these charges are currently expected to impact statutory net income by around $115 million.

Summary financial results

$ million	2015	2014	Change	Constant currency change
Revenue	**1,440**	1,489	-3%	+2%
Gross profit	**818**	851	-4%	+1%
Core operating profit[1]	**409**	427	-4%	+4%
EBITDA[2]	**454**	474	-4%	+4%
Core EBITDA[3]	**466**	485	-4%	+4%
Profit attributable to shareholders	**252**	278	-9%	+2%
Core profit attributable to shareholders[4]	**286**	299	-4%	+7%
Basic earnings per share (cents)	**126.6**	140.4	-10%	–
Core basic earnings per share (cents)[4]	**143.7**	151.0	-5%	–
Dividend per share (cents)[5]	**32.0**	32.0	0%	–
Net cash flow from operating activities	**366**	425	-14%	–

1 Before the amortisation of intangible assets other than software and exceptional items included in operating profit, as set out in note 5 to the financial information; previously referred to as adjusted operating profit.

2 Earnings before interest, tax, depreciation and amortisation. EBITDA is stated before impairment charges and share of results from associated companies.

3 EBITDA before exceptional items.

4 Before the exceptional items and other adjustments as set out in note 5 to the financial information.

5 In 2014, Hikma paid a total combined dividend of 32.0 cents per share, comprised of a full-year dividend of 22.0 cents per share and a special dividend of 10.0 cents per share.

Sustainability

Our approach to sustainability

Our primary objective is to provide patients with high-quality, affordable medicines tailored to their needs. We aim to do this in a sustainable way, working to ensure our products deliver the maximum benefit to patients, while managing the impact of our operations.

Our engagement process

Through regular contact with our stakeholders, we are able to understand and cater for their needs, while improving how we operate our business.

Recognising our stakeholders	How we engage
Patients The sustainability of our business relies on meeting the needs of our patients, both now and in the future.	We engage with our patients through marketing and communications campaigns, focus groups and multiple customer feedback channels which, along with our practitioner advocates, ensures that we understand their personal and collective healthcare needs.
Practioners Doctors and other medical practitioners are both a crucial route to market and, when supported, true advocates of Hikma.	Our marketing and sales teams have close relationships with our practitioners, to understand their own needs and those of their patients.
People The lifeblood of our Group, it's imperative that our people are motivated to drive Hikma forward to achieve our common goals.	At Hikma we have shared values and a distinct ethos, developed for and by our people. We hold regular Company forums and internal communications campaigns to ensure we continue this alignment.
Shareholders We rely on the support and engagement of our shareholders, in order to deliver upon our strategic objectives.	Our investor relations and executive teams hold monthly meetings with our shareholders to explain Hikma's corporate story and future investment case.
Communities The success and wellbeing of the communities in which we are present, are vital to maintaining our business.	We engage with our communities at all levels of the business through volunteering and Group sponsored activities.

Our focused approach

We have prioritised the sustainability issues of greatest significance and relevance to our business and stakeholders. This sustainability report focuses on these key areas, providing examples of initiatives we have undertaken across the Group. Additional information can be found on our website.

Our focus areas	Material issues
Meeting healthcare needs Our patients are at the heart of everything we do. We are focused on meeting patient needs and improving the quality of healthcare across our markets.	• Treating major health issues • Delivering high-quality, affordable products • Enhancing doctor and patient awareness and education
Promoting good business ethics Through stringent internal controls and a healthy ethical culture, we ensure the future prosperity of our business and stakeholders.	• Transparency in corporate governance • Ensuring an ethical approach runs across the Group
Supporting our communities We have built strong local businesses, which sustainably support and contribute to the local communities in which we operate.	• Delivering a local economic impact • Investing in healthcare markets • Engaging our employees to give back
Enabling our people Investing in the development and wellbeing of our employees is key to building a successful and sustainable business.	• Training and development • Promoting equal opportunities • Ensuring health and safety
Minimising our environmental impact We aim to limit our environmental impact by closely monitoring, reporting on and improving our operations.	• Reducing our energy and water consumption • Minimising waste

Meeting healthcare needs

Our patients are at the heart of everything we do. We ensure their needs are met through supplying high-quality, affordable medicines. This underpins our strategy on both a global and local scale. Our commitment to providing the right education to doctors and patients is enabling them to lead and promote a healthier lifestyle.

Enhancing doctor and patient awareness and education

In order to meet the healthcare needs of today, we believe we must first raise awareness and educate our partners and patients in order to sustain their own wellbeing.

Promoting healthier lifestyles

We care deeply about the health and wellbeing of our employees and community members. During the year, we sponsored activities across the Group aimed at providing education on disease prevention and encouraging a healthy lifestyle through physical activity and healthy nutrition.

In Jordan, for example, we organised a 'Ramadan Walk against Hypertension'; an event aimed at educating the public about the dangers of having hypertension and importance of following a healthy lifestyle. Free blood-pressure screenings were offered, along with specialists' insights on how to prevent and cope with hypertension. Over 50 individuals from the local community, including physicians and employees, took part.

Helping our employees quit smoking

We collaborated with the King Hussein Cancer Center on funding a Smoking Cessation Programme for employees, resulting in a 75% success rate. A pilot sample of employees interested in quitting smoking was chosen. Counselling sessions were held, and medications were prescribed in accordance with patients' needs. Depending on the responsiveness of the patient, the duration of therapy spanned three to eight months, and the treatment fees per patient varied from $220-$1,200.

Delivering high-quality, affordable products

Quality and pricing are not conflicting elements for Hikma and nor should they be for our patients; our strategy is to deliver both.

Ensuring medicine supply

In 2015, we successfully launched Thiotepa in the US market; an injectables drug for the treatment of a variety of cancers which has been on the US FDA Drug Shortages list. Our teams in the US and Europe have worked closely together to prioritise bringing back products that are in short supply to patients in need.

Treating major health issues

We focus on the major health issues faced by our patients in order to deliver maximum impact on their lives.

Reaching our patients

Hikma provides continuous support to its local communities through in-kind donations with the help of various aid organisations. In 2015, Promopharm, our business in Morocco, donated a wide variety of medications to African countries to help fight the Ebola disease. Hikma donated anti-infectives and gastrointestinal medicines to Guinea, through the Moroccan Ministry of Health, worth over $50,000. In Jordan, Hikma sponsored a total of 20 medical days and provided free medications worth over $47,190. Hikma also donated medications worth $93,000 to Syrian and Palestinian refugee camps in Jordan.

Royal Health Awareness Society Health community clinic success story

Samar is a 27-year-old female with type II diabetes. In 2015, Samar heard about the Health Community Clinics project established by the Royal Health Awareness Society (RHAS) in collaboration with Hikma, and was keen to join their treatment programme. At the time, her cumulative blood sugar level was 9.8 mmol/L, potentially leading to internal organ and eye damage. Samar was unable to join the programme as she suffered from cerebral palsy and faced difficulties attending the sessions as well as being active. The doctors at the clinic successfully reached out to her and through monitoring her progress by phone, managed to persuade her to start treatment including exercising and following an appropriate meal plan. Samar was able to lose 10 kilograms and decreased her cumulative blood sugar level to a healthy 5.2 mmol/L. She also participated in a shot put tournament held in Jordan in which she ranked second place.

Promoting good business ethics

Practitioners entrust us with their reputation, patients with their health and communities with their future. This is the basis upon which we have earned our licence to operate, and built our focus on long-term value creation. Through stringent internal controls and a healthy ethical culture, we ensure the future prosperity of our business and stakeholders.

Transparency in corporate governance

Good business ethics begin in the boardroom. This is where the benchmark for integrity and honesty is set, ensuring performance of the highest standard is delivered from our leadership to our stakeholders.

Compliance, Responsibility and Ethics Committee

Corporate Responsibility (CR) at Hikma is governed by the Compliance, Responsibility and Ethics Committee (CREC). The Vice President of Corporate Communication is responsible for CR at an operational level. The CR Committee oversees Hikma's CR activities and reports directly to the CREC. Further details are available in the CREC report on pages 96 to 101.

Ensuring an ethical approach runs across the Group

Whilst good business ethics begin in the boardroom, they are brought to life through day-to-day behaviours of all of our people across the Group.

Taking action in global welfare

Hikma is an active player in the international arena of global welfare and ethics. We believe that public-private and international co-operation is key to ensuring the sustainable growth of worldwide healthcare economies.

Hikma is committed to helping communities through providing internships and jobs, especially in the MENA where the youth demographic (15 – 29 years) is estimated at around 30%.

Through our partnership with the World Economic Forum (WEF), Hikma participated in the New Vision for Arab Employment initiative. Serving as a WEF Regional Associate for the second consecutive year, Hikma was one of 2,500 business, government, academic and civil society leaders to convene this year to explore solutions for pressing international, regional and industry issues.

WORLD ECONOMIC FORUM

We are also very active in the fight against corruption. As a global pharmaceutical leader, we have a responsibility to be a role model in transparency. As a founding member of the Partnering Against Corruption Initiative (PACI), an off-shoot of the WEF, Hikma renewed its commitment in 2015 for its zero tolerance of corruption across its operations. By committing to the PACI principles, we join forces with other organisations worldwide to raise work standards and build a competitive, transparent, accountable and ethical culture. Our commitment to business ethics is

reflected in our Code of Conduct, which sets the tone at the top and ensures every employee abides by these ethical values, building an internal culture of transparency and accountability. The PACI also dictates that we conduct our operations ethically with all of our stakeholders and across our supply chain, requiring that our suppliers are also intolerant to corruption.

Hikma continues working to promote responsible business through collective action, co-operating with other organisations and companies to take action towards improving business environments. Hikma joined the B20 (Business 20) Anti-corruption Working Group (ACWG), which operates under the umbrella of the G20 international forum of governments. The ACWG focused on different work streams related to projects tailored to assist companies improve their ethical conduct. Hikma was actively involved in the procurement work stream that aimed to promote ethical practices across governmental and private sectors.

In addition, by the end of the year, the B20 ACWG launched an Anti-corruption Toolkit for Small and Medium Sized Enterprises (SMEs), designed for such establishments with limited time and resource, to help manage one of the biggest challenges companies face all over the world: corruption. In 2015, the B20 was hosted by Turkey and will move on to China in 2016, where we plan to continue our involvement.

Preserving our Founder's ethics

Since its establishment in 1978 by Dr Samih Darwazah, Hikma has been built on strong ethical foundations. We consistently uphold these values across our operations; performing with integrity, a drive for excellence, and a high standard of quality and respect towards our people, the environment and our patients. We continue to maintain our transparency and implement accountability measures across the Group.

Our corporate strategy centres around two themes – wellbeing and education. We have a Continuous Education Scheme Programme which offers employees the chance to pursue a higher education, as well as internal company programmes such as management rotation plans aimed to strengthen our employees' skills and enhance their exposure to different parts of the business.

UN Global Compact membership renewal by submitting annual communication on progress

Hikma has been a member of the United Nations Global Compact since 2007. In 2015, we renewed our UNGC membership by submitting a Communication on Progress report (COP). Every year Hikma is required to demonstrate how it aligns its company operations with the ten principles of the UNGC across the key areas of human rights, labour standards, the environment and anti-corruption.

This year we focused on demonstrating how Hikma globally supports its policies, procedures, actions and performance in line with the ten principles. Throughout the COP, we clearly demonstrate our commitment to employees, patients, the community, the environment and global welfare. Hikma will continue to actively support the UNGC and integrate its principles across the business.

Supporting our communities

We cannot achieve our mission of improving people's lives in a long-term, sustainable manner without the backing of our stakeholders. In turn, we endeavour to earn this support wherever possible, through focusing on making a difference in the communities.

Delivering a local economic impact

Our ongoing business success depends on the sustainable success of the local communities within which we are embedded. This is why we focus on enriching the local economies and creating sustainable value in our different locations.

Fostering children's growth

Hikma continuously contributes to the social development of the community, including helping children in need. In 2015, Hikma renewed its partnership with SOS Children's Villages Jordan to sponsor a home in Irbid, Jordan. Hikma covered the expenses of the home, which houses seven orphans and their SOS mother. Hikma, through its various locations, has been supporting the SOS Children's Villages worldwide by taking part in refurbishing and repainting homes as well as accompanying the children on various educational tours.

Hikma's continuous participation in numerous social responsibility activities has positioned us in a unique place among partners and customers. Being a leading company in this field has helped Hikma achieve its remarkable success. Our focus on educating the future generation ensures the development of the communities we exist in. One of the several initiatives Hikma undertook in 2015 was a large donation of school supplies, textbooks and woollen blankets to a number of underprivileged children in boarding schools in the North-West region of Tunisia. Similarly, Hikma Farmaceutica in Portugal raised monetary donations to provide school supplies for the children of the Santa Casa Misericórdia organisation.

Investing in healthcare markets

Our skills and expertise equip us to make a significant difference to the healthcare markets which support the wellbeing of our communities.

Improving health through nutrition

In 2015, Hikma continued to implement initiatives to help eradicate hunger and provide food and nutrition aid to those in need.

For example, Hikma employees in Jordan supported a non-governmental organisation, Tkiyet Um Ali (TUA), to alleviate hunger among underprivileged families. More than 40 employees joined TUA in preparing food parcels, distributing goodwill packages and serving meals to underprivileged families residing in Amman, Qastal and Salt. Hikma Algeria organised a campaign in the month of Ramadan, where food and monetary donations were collected and given out to 30 needy families. Through the help of the authorities responsible for the region, Sidi Thabet in Tunisia, food packages were also distributed to underprivileged families.

During our annual summer social responsibility event in Portugal, Hikma Farmaceutica successfully raised the required amount of funds needed to purchase an industrial fridge for the charity Santa Casa Misericórdia. The charity utilises this fridge for food conservation which is then distributed to over 2,400 people in our local community in the Sintra region.

In the US, Hikma's West-Ward Pharmaceuticals held a Valentine fundraiser for its employees. The monetary donation enabled 12 boxes and four bags of groceries to be delivered to the local food pantry at the Cherry Hill Food and Outreach Council. This was supplemented by our employees in Cherry Hill and Bedford volunteering at the local food pantry.

Hikma supported the fundraising event of the United Nations World Food Programme (WFP) held in July 2015. Through this sponsorship, we sought to aid needy families in Jordan's poverty pockets that were affected by the economic and Syrian crisis.

Engaging our employees to give back

Community support is part of our DNA, making it an area of focus shared by Hikma's dedicated and diverse team of talented people. Throughout the year, our employees volunteered in numerous campaigns.

Hikma's volunteers plant trees at a public school that we adopted in Sweimeh, Jordan

Enhancing the education and wellbeing of our communities is key to improving the quality of people's lives. One of the many successful projects in 2015 was volunteering to plant trees and renovating parts of the Sweimeh School for Girls. Sweimeh is an extremely impoverished area in the South of Jordan.

Hikma supplied all of the materials needed for planting the trees and the renovation. Hikma also donated tables, chairs and toys for the school. Our volunteers painted the outside walls of the nurseries and planted 250 trees on the school grounds. Hikma also refurbished parts of the school including hazardous areas that were considered dangerous for the students.

Enabling our people

Without the knowledge, commitment and drive of our people, we would not be the business we are today. We begin by ensuring that they are treated with the utmost respect and equality. From here, we focus on training our people to constantly develop their skills and expertise. This is a virtuous circle from which our organisation significantly benefits, putting empowered and evolved employees at the heart of our long-term business success.

Ensuring health and safety

Nowhere is our duty to employees more prevalent than in our responsibility for protecting their health and safety. We embed a stringent safety policy throughout every workspace we occupy, across our operations, from R&D centres to the sales offices.

Training and development

At Hikma we empower our people to develop the skills and expertise required to achieve their professional goals. We are confident in the knowledge that the investment in their training is an investment in our future.

Cherry Hill, USA

Developing our people

As we continue to grow, we ensure that our most important resource, our people, continues to advance and develop. In 2015, a total of 4,998 employees across the Group were placed in 765 different training programmes tailored to enhance know-how and career progression.

We also ensure new employees are properly integrated through tailor-made induction sessions conducted across all our sites. This orientation programme covers the history of Hikma policies and procedures, employees' benefits, employees' rights, confidentiality, conflicts of interest, values, competencies, career paths and organisational structures.

As part of our ongoing efforts in the field of corporate responsibility, Hikma in Jordan partnered with Orient Spirit, a vocational training centre for people with disabilities and special needs such as Down Syndrome and autism. The centre offers training programmes in academic skills, life skills, soft skills, locomotor skills, job coaching and counselling. Students of both genders train in different fields such as embroidery, woodwork, mosaics and drama, providing a stronger sense of independence to help the students assimilate in society.

Through this partnership, Hikma has provided ten partial scholarships for the children of our employees who meet the criteria set out by the centre.

Creative team building

At Hikma, we continuously focus on developing our employees through various formal and informal training media. In 2015, Hikma's global legal team of 19 employees attended a training workshop in London. This two-day workshop included a series of talks and team building activities which encompassed numerous sessions by different speakers covering fundamental legal topics. Further training sessions focused on antitrust investigations in the pharmaceutical industry and joint ventures. These activities enhanced the team members' work abilities, listening skills, creativity, as well as opening more channels amongst the team.

Promoting equal opportunities

Our business relies on a diverse mix of skills and expertise that requires the unique contribution of each person on our team. That's why we actively promote an environment in which opportunities are equally available to everyone.

Diversity

To find out more about diversity across the Group, see page 92

Women Empowerment and Motivation Programme

Hikma has initiated motivational and empowerment sessions for women across its businesses, starting with Jordan. This is in line with the 2015 objectives set for the "Advancement of Women across the Hikma Group". The aim of these monthly sessions is to further support the women at Hikma to achieve both their personal and professional goals and give them the needed guidance for career advancement. In each session, a chosen Champion discussed her career path and how she managed to overcome different challenges faced in the corporate world. Champions were from within Hikma and the local community. The programme was held in Jordan, Portugal and the US with plans to expand to other sites. The final session in 2015 honoured our women who have worked at Hikma for 20 years and above by the Company's CEO.

Minimising our environmental impact

Sustainability at Hikma is about building a better business with a brighter tomorrow. As a global pharmaceutical manufacturer, environmental issues are among our priorities. Our holistic approach ranges from committing to minimising energy consumption to raising awareness of our most pressing ecological challenges. This drives our commitment to both contributing to a cleaner world and building a more efficient operating model.

Minimising our environmental impact

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

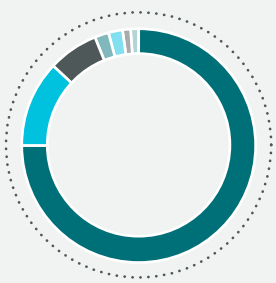
During the 2015 financial year, Hikma Pharmaceuticals emitted 26,479 tCO_2e from the combustion of fuel (Scope 1 direct) and 83,520 tCO_2 from electricity purchased for our own use (Scope 2 indirect). This is equal to 4.30 tCO_2e Scope 1 emissions per full time equivalent (FTE) employee and 13.55 tCO_2 Scope 2 emissions per FTE employee respectively.

The table below shows our emissions performance for the years ended 31 December 2013, 2014 and 2015.

Category		2015	2014	2013
Scope 1 –	Combustion of fuel and operation of facilities (tCO_2e)	**26,479**	20,491	20,831
	tCO_2e per FTE employee	**4.30**	3.69	3.70
Scope 2 –	Electricity purchased for our own use (tCO_2)	**83,520**	57,459	51,424
	tCO_2 per FTE employee	**13.55**	10.35	9.14

- Emissions from the consumption of electricity are reported in tCO_2 rather than tCO_2e since the UK Government emission factors for overseas electricity currently account for carbon dioxide emissions only.
- The FTE employee figures used to calculate the reported intensity metric cover the sites for which emissions data was provided rather than the total FTE figure for the organisation as a whole.

2015 emissions by GHG source



Purchased electricity for own consumption	76%
Natural gas combustion	12%
Diesel combustion	7%
Refrigerants	2%
Vehicle emissions	2%
Petrol combustion	<1%
LPG/Propane combustion	<1%

Sintra, Portugal

Reducing our energy and water consumption

Heavy resource consumption is a burden on both our communities and our expenses. We identify the environmental areas of most vulnerability in our industry and work effectively to minimise our impact. Our approach is driven by staff education, emission analysis and transparent reporting.

Methodology

We have quantified and reported our organisational greenhouse gas emissions according to the Defra Environmental Reporting Guidelines 2013 and have utilised the 2015 UK Government Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data.

Reporting boundaries

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 10% for GHG reporting purposes. This approach includes all Hikma subsidiaries and corresponding facilities/assets. Joint ventures with less than 50% holding have been excluded from our GHG disclosure as it is considered that we do not have operational control over these emissions sources. In addition, non-manufacturing facilities with fewer than 100 staff at the end of the reporting period are not included within our emissions disclosure on the grounds of materiality.

The GHG sources that constitute our operational boundary for the 2015 reporting period are as follows:

Scope 1: Facility diesel combustion, facility natural gas combustion, facility LPG combustion, fugitive refrigerants from air-conditioning equipment and vehicle fuel combustion.

Scope 2: Purchased electricity consumption for our own use.

Assumptions, estimations and exclusions

In some cases, missing information has been estimated using data from the nearest reporting period as a proxy. Furthermore, due to the availability of additional data, we have decided to restate the 2014 emissions figures. This allows us to make a more accurate performance comparison between 2014 and 2015.

Intensity ratio

In order to express our reported emissions in relation to a quantifiable factor that will act as a useful comparator for performance analysis over time, we have chosen to adopt full time employee equivalent (FTE) as our chosen metric as it is considered that this factor both influences our overall energy consumption and is reflective of business growth/decline.

Performance

Between 2014 and 2015 we have seen a 29% increase in Scope 1 emissions and a 48% increase in Scope 2 emissions. There are a number of reasons for this increase; most significantly, we have expanded the scope of our reporting and for the first time we have reported on emissions from AMC, Morocco, Sudan (PharmaLand) and Sudan

(Savanna), which has resulted in a 6% increase in Scope 1 emissions and 17% in Scope 2 emissions. If these sites are excluded from the year on year comparison of Scope 1 and 2 emissions, Scope 1 emissions, on a like-for-like basis, have increased by 21% and Scope 2 emissions have increased by 23% since 2014. Another important factor was that emissions from our site in Bedford, USA, went up significantly in 2015 since this was the first full year of operation, which has resulted in a 7% increase in overall emissions in 2015.

Investing in environmentally friendly technology

Behaving in a sustainable manner is embedded in all the aspects of our operations. Hikma underwent an evaluation exercise regarding its cars and replaced some of the biggest toxic gas emission engines with ten Hybrid cars. The Hybrid System is a much more efficient system with minimum energy expenditure operating to maximise fuel efficiency and minimise CO_2 emissions. This resulted in reducing the cars' emissions by 50% and the fuel bill by 60%.

Disclosing our carbon emissions

As a global manufacturer, we are highly aware of our impact on the environment, which is why we constantly seek methods to minimise waste, analyse carbon emissions, promote the responsible usage of energy and electricity consumption, and reduce demands for water consumption. As part of our adherence to sustainability, we report climate change data to the CDP so as to increase transparency to our stakeholders and manage both risks and opportunities arising from climate change. We are also keen on educating our staff and raising their awareness about the effects they have on the environment in everything they do. According to the Carbon Disclosure Project (CDP) Global Climate Change Report 2015, Hikma has scored 90 'B' in the rating of healthcare sector responding companies, registering a significant improvement during the reporting year of 2014 compared to previous years. In light of Hikma's efforts towards minimising its environmental impact and global carbon footprint, the Company has been actively committed to reporting to the CDP, which expertly scrutinises a company's carbon emissions and provides analysis for better operational functions. Participating companies were scored against two parallel assessment schemes: performance and disclosure.

Engaging our people

We consider our employees to be our greatest, most valuable asset. Since their knowledge, skills and teamwork are key to our success, we continuously strive to bring the whole team together and engage with them on issues related to health, workplace safety and supporting the environment. Through our annual 'You Are Hikma' campaign, we arranged several activities aimed at raising health, safety and environmental awareness. These included medical testing for the employees and a blood drive. Awareness lectures were also organised to educate our people on the safe handling of mechanical equipment, first aid administration, and recycling benefits. Furthermore, we participated in the 'Clean Up the World' campaign, which was held in Dibeen Forest in Jordan. Our employees and their families participated in cleaning tasks geared towards raising public awareness on the importance of preserving natural parks and refraining from littering.

Minimising waste

Our response to resource reliance is simple: we work to maximise efficiency and implement controls and solutions to minimise waste. Beyond this, we merge employee and community engagement programmes to encourage the efforts of our stakeholders to spread positive environmental impacts beyond our initial reach.

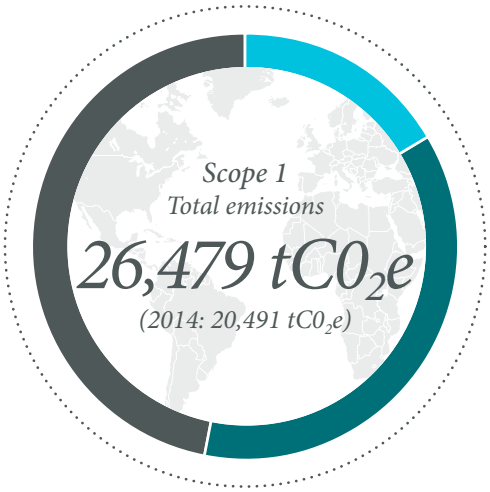
Recycling and reuse

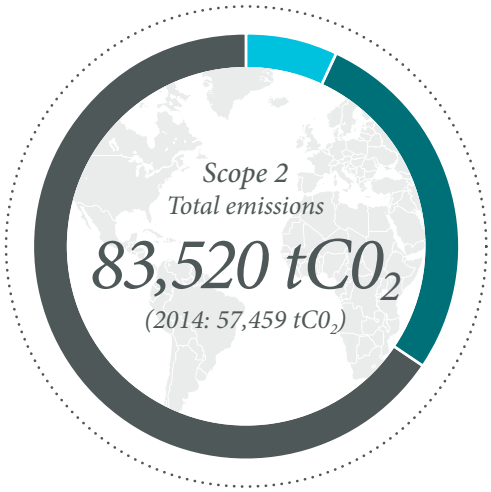
For Earth Day this year, West-Ward, our business in the US, undertook a number of activities that focused on environmental care. The company distributed Colorado blue spruce trees to all its employees. By planting these trees, 57,600 lbs. of carbon dioxide could be reduced annually. It also partnered with Terracycle and Recork, two prominent recycling agencies, to set up specialised bins to collect pens, highlighters, sharpies and corks.

Hikma in Jordan has partnered with a recycling company called Al Ajyal, a certified company that works with the Ministry of Health, for recycling our paper and plastic waste in most of our Jordan locations. One of the terms for this partnership includes a social responsibility segment where Al Ajyal is responsible for providing a certain number of corporate responsibility activities per year, which include environmental awareness sessions, sponsorships, free medical days, educational school trips for local schools, orphans and NGOs.

In Bedford, a project was initiated where large donations of computer equipment including desktops, laptops, printers and monitors were given to the Bedford City Schools. This amounted to over 20 pallets (10,000 lbs) of electronics reused and recycled back to the community. This puts our Bedford site recycling rate at over 35%, which indicates the percentage of waste that this site recycles.

Total emissions and segmental reporting

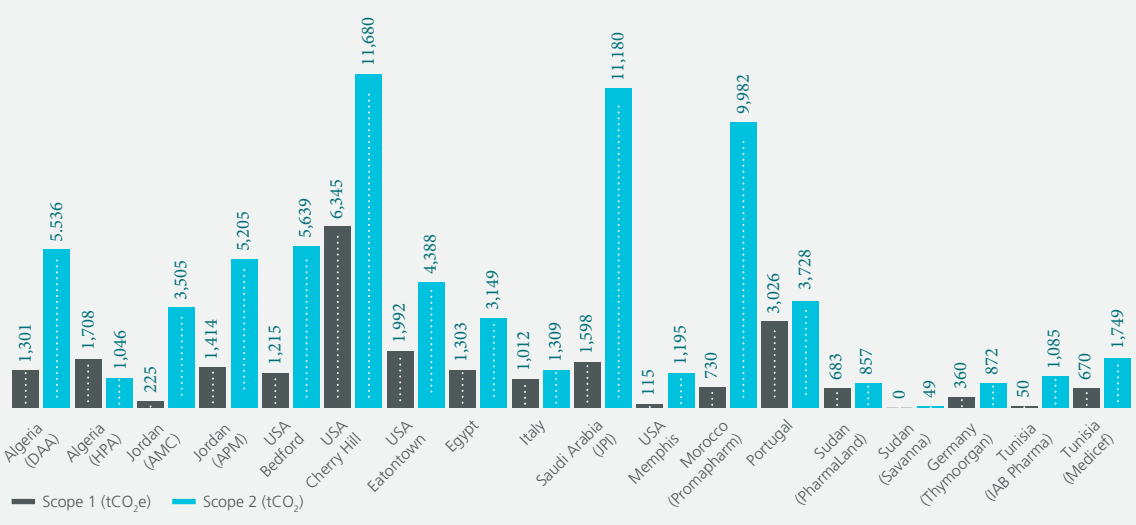




Scope 1 (tC0$_2$e)					
Europe	4,399	USA	9,667	MENA	12,413

Scope 2 (tC0$_2$)					
Europe	5,908	USA	22,903	MENA	54,709

Emissions by location



Managing the uncertainties

This section provides an overview of Hikma's approach to risk management, risk governance and the ability of Hikma to continue to operate successfully.

Risk governance

During the year the Board reviewed its risk appetite in detail. It classified the principal risks in the business into risks that:

- are innate to the pharmaceutical business, the skilful management of which provides us with our economic return
- are inherent in our strategy, which we believe are worth taking, but in a selective and controlled manner
- for which we have little or no appetite and which we try to minimise or avoid altogether

This risk appetite, which also sets out expected mitigation approaches and risk limits, will be reviewed and updated annually, is the foundation of the ERM and shapes the detailed approaches to risk management within the businesses.

The risk governance framework which was approved by the Board during the year is summarised in the chart to the right. On behalf of the Board, the Audit Committee oversees Hikma's risk management framework in the context of its responsibilities for internal control and bi-annually reviews the strategic risks facing the Group. The risk framework provides further detail on the monitoring, mitigation and control processes for each of the principal risks and includes a risk owner, who is a designated senior executive with Group level responsibilities in each area. The risk owners take into account the Group risk appetite as part of their consideration of risk events and report to the Executive Committee. The Audit Committee also reviews business and operational risks with the internal and external auditors which arise through the audit work that they perform, including risk interviews with all executive management.

Board of Directors

- Define Group's risk appetite annually
- Review Hikma's principal risks annually
- Establish risk governance framework and ensure Audit Committee is capable of fulfilling its role

Audit Committee

- Report to the Board on the effectiveness of risk management framework and internal control policies annually
- Review of the risk management consolidated report bi-annually
- Review the external communications and disclosures bi-annually

Executive Management/Group Risk Committee

- Review the consolidated risk management report bi-annually and update the Audit Committee
- Review significant emerging risks

ERM Lead (Chief Strategy and Corporate Development Officer)

- Co-ordinate communications between global risk owners, Executive Committee and Audit Committee
- Prepare consolidated risk management report and submit it to Audit Committee and Executive Management Committee bi-annually
- Validate and challenge identified risks as received by the global risk owners
- Work with related parties on the risk management external communications and disclosures for the Annual Report
- Update risk management framework annually

Global Risk Owners

- Co-ordinate risk management activities across the regions
- Submit a risk management status update report to the enterprise risk management lead bi-annually
- Implement the risk management process and identify, assess and manage risks within the business

Regional Risk Owners

- Submit a risk management status update report to the global risk owner bi-annually
- Implement the detailed risk management processes in the operations and mitigate and manage risks within their respective regions as part of their day to day operations

Internal Audit

- Provide objective assurance and opinion of the effectiveness of Hikma's risk management and internal control systems

Principal risks

During the year the Board also conducted a detailed review of all the principal risks in the businesses, looking in detail at the nature and scale of the risks being taken and the mitigation approaches. The Board considers that it is possible that more than one principal risk could escalate at any one point in time. It was satisfied that these risks are being managed appropriately and consistently with the target risk appetite.

The Group faces risks and uncertainties that could have a material impact on its earnings and ability to trade in the future. These principal risks are set out below.

Risk and description	Mitigation and control
Product quality Executive responsibility: Senior Vice President for Technical Affairs	
• Situations resulting in poor manufacturing and processes quality of products have the potential to lead to: - Harm to end users, manufacturing personnel and the environment resulting in liability and reputational issues - Regulatory action that could result in the closure of facilities and consequential loss of opportunity and potential failure to supply obligations - Delayed or denied approvals for new products - Product recalls	• Global quality programme which leads the manufacturing processes in all sites • The 11 FDA approved facilities are regularly assessed by the regulator • Documented procedures are continuously improved and staff receive training on those procedures on a regular basis • Global quality issues team with extensive experience of implementing corrective action when issues arise • Global product liability insurance and crisis management team • Adopt a "quality by design" approach for all of our manufacturing facilities • Continued environment and health certifications
API sourcing Executive responsibility: Director of Corporate API & Strategic Sourcing	
• API and raw materials represent one of the Group's largest cost components. As is typical in the pharmaceuticals industry, a significant proportion of the Group's API requirements is provided by a small number of API suppliers • There is a risk that it will not be possible to secure or maintain adequate levels of API supplies in the future • Regulatory approval of a new supplier can be lengthy and supplies may be disrupted if the Group is forced to replace a supplier which failed to meet applicable regulatory standards or terminated its arrangements with the Group	• Maintaining alternative API suppliers for each of the Group's products, where possible • API suppliers are carefully selected and the Group endeavours to build long-term partnerships with exclusive supply • The Group has a dedicated plant in Jordan that can synthesise strategic and difficult to procure injectable APIs where appropriate • Utilising supply chain models to maintain adequate API levels
MENA & emerging markets Executive responsibility: Head of MENA	
• Hikma operates in MENA and emerging markets which have high levels of political and social instability as well as economic and regulatory fluctuations that can result in a wide variety of business disruptions in those markets for a substantial period of time	• Geographic diversity reduces the impact of issues arising in one jurisdiction with extensive experience of operating in these environments and developing opportunities from change • Strong regulatory team that proactively monitors possible regulatory changes • Building and nurturing local business relationships whilst upholding the highest ethical standards • Monitoring and reviewing economic developments

Risk and description	Mitigation and control
New product pipeline Executive responsibility: VP of Corporate Development and VP of Active Pharmaceutical Ingredients	
• A significant proportion of Group profits derive from a relatively small number of higher margin products	• Internal marketing and business development departments monitor and assess the market for arising opportunities • Expansive global product portfolio with increased focus on high value products • Experienced internal regulatory teams developing products and overseeing joint venture activities • Product related acquisitions (e.g. acquisition of Roxane) • Third party pharmaceutical product specialists are assisting in the development of manufacturing processes for new generic products where the patent has recently expired • Strong R&D teams that are assisted centrally in the implementation and management of projects
Industry earnings Executive responsibility: Divisional Business Heads	
• The dynamics of the generic pharmaceutical industry includes numerous volatile elements such as regulatory interventions, drug approval patterns, competitor strategies and pricing that are difficult to anticipate and may affect profitability	• Operating in wide range of countries, products and therapeutic areas • Diversification of manufacturing capability and capacity • Active product life cycle and pricing management in the MENA region • Identify market opportunities and develop appropriate pricing strategies whilst responsibly applying price charges in the US
Acquisitions Executive responsibility: Chief Strategy and Corporate Development Officer	
• The Group strategy is to pursue value adding acquisitions to expand the product portfolio, acquire manufacturing capabilities and expand in existing and emerging markets. There is risk of misjudging key elements of an acquisition or failing to integrate the assets, particularly where they are distressed • An acquisition of a large-scale target may entail financing-related risks and operating expenses and significantly increase the Group's leverage if financed with debt	• The mergers and acquisitions team undertake extensive due diligence of each acquisition, including legal, financial, compliance and commercial, and utilise multiple valuation approaches in assessing target acquisition value • Executive Committee reviews major acquisitions before they are considered by the Board • The Board is willing and has demonstrated its ability to refuse acquisitions where it considers the price is too high • Dedicated integration project teams are assigned for the acquisition, which are led by the business head responsible for proposing the opportunity. Following the acquisition of a target, the finance team, the management team and the Audit Committee closely monitor its financial and non-financial performance • A variety of funding options are available to the Group to finance acquisitions
Compliance Executive responsibility: Chief Compliance Officer	
• The pharmaceutical industry and certain MENA markets are considered to be higher risk in relation to sales practices. Improper conduct by employees could seriously damage the reputation and licence to do business	• Board level – Compliance, Responsibility and Ethics Committee • Code of Conduct approved by the Board, translated into seven languages and signed by all employees • ABC compliance programme monitored by the CREC • 2,200 employees received ABC compliance training in 2014 and in 2015 • Sales and marketing and other ABC compliance policies and procedures are created, updated and rolled out • Active participation in international anti-corruption initiatives (e.g. PACI, UN Global Compact)

Risk and control – *Continued*

Risk and description	Mitigation and control
Financial Executive responsibility: Chief Financial Officer	
• The Group is exposed to a variety of financial risks similar to most major international manufacturers such as liquidity, exchange rates, tax uncertainty and debtor default	• Extensive financial control procedures have been implemented and are assessed annually as part of the internal audit programme • A network of banking partners is maintained for lending and deposits • Management monitors debtor payments and takes action where necessary • Where it is economic and possible to do so, the Group hedges its exchange rate and interest rate exposure • Management obtains external advice to help manage tax exposures and has upgraded internal tax control systems
Legal, intellectual property and regulatory Executive responsibility: General Counsel	
• The Group is exposed to a variety of legal, IP and regulatory risks similar to most relevant major international industries such as litigation, investigations, sanctions and potential business disruptions	• Expert internal departments that enhance policies, processes, embed compliance culture, raise awareness and train staff • First class expert external advice is procured to provide independent services and ensure highest standards • Board of Directors and management provide leadership and take action as necessary
Information technology Executive responsibility: Chief Information Officer	
• If information and data are not adequately secured and protected (data security, access controls), this could result in: - Increased internal/ external security threats - Compliance and reputational damages - Regulatory and legal litigation in case of failure to manage personal data - Reduced information accountability due to limited sensitive data access controls	• Utilise appropriate levels of industry-standard information security solutions for critical systems • Continue to stay abreast of cyber-risk activity and, where necessary, implement changes to combat this • Improved alignment between IT and business strategy
Organisational growth Executive responsibility: Corporate VP of HR and MENA Operations	
• The fast growing pace of the organisation carries the inherent risk to maintaining adequate talent acquisition strategies, organisational structure and or/management processes that serve the changing needs of the organisation. In turn, this may affect other risks within the Company	• Keeping our organisation structures and accountabilities under review, and maintaining the flexibility to make changes smoothly as requirements change • Employ HR programmes that attract, manage and develop talent within the organisation • Continuously upgrade management processes that meet so that they become and remain the standard of a global company of our size
Reputational Executive responsibility: VP of Corporate Strategy and Investor Relations and VP of Communications	
• Reputational risk inescapably arises as a by-product of other risk and from taking intricate business decisions. However, we view our reputation as one of our most valuable assets, as risks facing our reputation may affect our ability to conduct core business operations	• Monitor the internal and external sources that might signal reputational issues • Sustain corporate responsibility and ethics through transparent reporting and compliance with global best practices (e.g. GHG emissions, UN Global Compact) • Respond quickly and conscientiously to any issue that threatens our reputation, and maintain access to world class expertise that can help us in this respect

Case study – Roxane acquisition due diligence

The Roxane acquisition was almost ten times larger than any previous acquisition undertaken. The Board focused significant effort on reviewing the due diligence for the acquisition and the management team divided the process into seven functional work streams with significant internal and external resource.

Finance

Details
- Review of seller financial information
- Testing of Roxane financial procedures
- Review of auditor records

Parties
- Hikma Finance & Strategy
- Deloitte
- EY
- PwC

Commercial

Details
- Creation of Hikma individual product forecasts
- Scenario testing for all products including pipeline delays and price variation
- Operational costs and synergy assessment

Parties
- Hikma Executives, Finance, Sales, Strategy and Regulatory
- Hyman, Phelps and McNamara Parexel
- Winston and Strawn

Legal

Details
- Review of all material commercial agreements
- Reflected in acquisition sale and purchase agreement
- Consideration of potential anti-trust issues

Parties
- Hikma Legal
- Arnold and Porter
- Slaughter and May
- White and Case

Tax

Details
- Review of organisational structure and potential liabilities

Parties
- Hikma Tax and Legal

Pipeline

Details
- Review of FDA correspondence logs
- Testing of launch date estimates
- Review of filing strategy and notices

Parties
- Hikma Sales, Quality and Regulatory
- Hyman, Phelps and McNamara Parexel
- Winston and Strawn

Manufacturing

Details
- Site visit including testing of quality control
- Review of US FDA site records

Parties
- Hikma Executives, Quality and Regulatory

Management

Details
- Receipt of full presentation from Roxane management
- Detailed transitional services arrangements
- Hikma and Roxane key person assessment
- Review of HR and IT systems

Parties
- Hikma Executives, HR and IT

Risk management

During 2015, the Group began consolidating several different strands of its risk management activity into an integrated approach. This 'Enterprise Risk Management' (ERM) framework summarised on page 53 is a pragmatic and consistent approach to identifying, calibrating and reporting on risks throughout the organisation; gauging changes in the Group's risk profile; and balancing risk-taking with mitigation and control.

In addition to providing consistent approaches to measurement, the ERM framework specifies a risk owner, responsible for detailed oversight and management of each of the principal risks in the business, and guides these risk owners on the approach they should take to monitoring, mitigation and control for each type of risk.

The Board delegated responsibility for implementing this framework to Bassam Kanaan, the Chief Strategy and Corporate Development Officer (CSCDO). The CSCDO is assisted by the Group Risk Committee and guided by the risk appetite set by the Board. We envisage that the framework will be fully operational during the course of 2016.

The risk management practices operated by the executive are designed to meet this requirement. The risk owners are all senior executives who have significant daily interaction with and reporting lines to members of the Executive Committee, which is responsible for controlling situations that arise, irrespective of the risk category.

Internal control

The Board is ultimately responsible for the effectiveness of the Group's systems of internal controls and risk management. The Board confirms that it is in accordance with the Code and follows the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". The system for identifying, evaluating and managing the risks the Group faces draws on the ongoing output of the finance department on Group performance, the work of the internal auditors and issues identified by the external auditors to the extent covered by their audit work. The Board monitors the ongoing effectiveness of the system and formally reviews the Group's policies on internal control on an annual basis, including all material controls, including financial, operational and compliance control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board confirms that the necessary actions are being taken to remedy any significant failings or weaknesses identified from its review.

Key internal audit events

The Committee Chair
meets E&Y to review the internal audit findings to date, the management responses and the action plan.

MAY

E&Y report their initial findings
to the Audit Committee. The Committee meets with E&Y without management present.

JUL

The Committee Chair
has a further meeting with E&Y to review the full-year audit findings, review the results of the risk assessment that is undertaken in conjunction with management and consider the internal audit plan for the following year.

OCT

E&Y report their full-year findings for the year, a forward-looking risk assessment and a plan for the following year to the Committee. The Committee meets with E&Y without management present.

DEC

The key elements of our internal control framework are as follows:

- A documented and disseminated reporting structure with clear policies, procedures, authorisation limits, segregation of duties and delegated authorities
- Written policies and procedures for material functional areas with specific responsibility allocated to individual managers
- A comprehensive system of internal financial reporting that includes regular comparison of results against budget and forecast and a review of KPIs, each informed by management commentary
- An established process for reviewing the financial performance and providing support to our joint ventures and associates together with direct support from the Hikma finance function
- Annual budgets, updated forecasts and long-term business plans for the Group that identify risks and opportunities and that are reviewed and approved by the Board
- A defined process for controlling capital expenditure which is detailed in the governance framework

Viability

Assessment mechanism

The Directors assess the position and prospects of the Company at each Board meeting and at the end of the financial year by taking account of the strategic and operational update from the Chief Executive and financial reporting and forecasting from the Chief Financial Officer. The Directors also receive regular updates on operational, strategic and financial matters from executives. The Board has considered the potential impact of the principal risks detailed on pages 54 to 56 and has modelled the following scenarios which are designed to take into account those principal risks:

- Prolonged closure of one of our major US FDA approved facilities
- Escalation of political or social instability in one of our major MENA markets
- Significant changes to the pricing environment in the US

These scenarios were designed to be severe but plausible. They take full account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and that would realistically be open to them in the circumstances.

The Directors consider that this stress-testing based assessment of the Company's prospects is reasonable.

Viability period

The Directors have made their assessment of the viability of the Company over a period of three years. This is the timeframe for new acquisitions and greenfield opportunities to become fully mature and integrated businesses, and is considered to be the maximum over which forecasts can be made to a reasonable level of accuracy. The Board acknowledges that the accuracy is greater in the nearer term than it is towards the end of the viability period.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due over the period to December 2018.

Qualifications and assumptions

The Directors would like to draw the reader's attention to the statement of principal risks on pages 54 to 56. This statement highlights the broad business environment variables that the Directors consider could have a significant impact on the viability of the Company.

The Board acknowledges that financial modelling over the viability period is subject to a number of assumptions by management. The most significant assumptions in the view of the Directors are:

- Introduction and commercialisation of new products
- Market growth and product demand rates
- Foreign exchange consistency
- Continuation of elevation of certain product prices
- Political and social stability in the markets
- Ability to re-finance existing debt on similar terms
- Cash flow generation from newly acquired businesses
- Ability to increase operational efficiency and reduce central costs
- The effective tax rate being within the current guidance range

Statement

The Directors, having considered the above matters, have a reasonable expectation over the viability period that the Company will be able to continue in operation and meet its liabilities as they fall due.

Going concern

The Directors have considered the going concern position of the Company during the year and at the financial year end, as they have in previous years. The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group operates in the relatively defensive generic pharmaceuticals industry which the Directors expect to be less affected by economic downturns compared to other industries.

The Group's overall net debt position was $135 million at 31 December 2015 compared to $274 million in December 2014. Operating cash flow in 2015 was $366 million (2014: $425 million). The Group has $1,374 million (2014: $839 million) of undrawn short-term and long-term banking facilities, in addition to $205 million (2014: $180 million) of unutilised import and export financing limits. These facilities are well diversified across the subsidiaries of the Group and are with a number of financial institutions. The Group's forecasts, taking into account reasonable possible changes in trading performance, facility renewal sensitivities, maturities of long-term debt, and the purchase of Roxane Laboratories, show that the Group should be able to operate well within the levels of its facilities and their related covenants.

During the year the Group agreed to purchase Roxane Laboratories from Boehringer Ingelheim GmbH for $1.619 billion. The transaction closed on 29 February 2016, and the net debt position of the Group after the close of the transaction was $728 million. The transaction was also financed by the issue of 40 million shares, increasing the issued capital of the Company by circa 20%.

After making enquiries, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully despite the current uncertain economic and political outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

During the year we have continued to promote our Hikma values, which are transparency, respect, trust and quality.

Corporate Governance
Message from our Chair

Strong governance from the beginning

"Breffni has dedicated the past 11 years to Hikma and has been instrumental in developing our financial leadership and processes from listing to today."

Dear Shareholders and Stakeholders

Another year has passed. As we reported last year, we made significant changes to the Board during 2014. We welcomed two new Directors, changed Robert's and my role and said goodbye to our dear friends Sir David Rowe-Ham and Samih Darwazah. During 2015, we have focused on embedding these changes, with Roxane making the largest strategic move in the Company's history, and considering succession further.

Firstly, I would like you to join me in expressing our sincere gratitude to Breffni Byrne, who is retiring at the AGM. Breffni has dedicated the past 11 years to Hikma and has been instrumental in developing our financial leadership and processes from listing to today. We owe him a huge debt and must thank him for his integrity, diligence and friendship.

The Roxane acquisition brings with it a strategic partnership with Boehringer Ingelheim through their equity holding, the appointment of Jochen Gann to our Board and ongoing business partnership. I am delighted that our friends at BI nominated Jochen to our Board. We have been working closely with Jochen over the past two years on the Bedford and Roxane acquisitions and have formed an excellent relationship with him, both at a management and board level. Jochen brings a wealth of corporate action, pharmaceutical and global business experience. I am confident that he will enhance the capabilities of the Board and that the appointment will help to further strengthen our relationship with BI.

We also welcome John Castellani as a new independent director. John brings a wealth of pharmaceutical experience, particularly in the United States, as well as regulatory, restructuring and broad business experience. He has an excellent record.

We are in the process of transferring the committee chair responsibilities. During 2015, Pat Butler took the audit chair, having spent a year being inducted into the Hikma committee. Also during the year, Michael Ashton began handing over responsibility for the Remuneration Committee to Dr Pamela Kirby. It is a strength that we are able to transfer responsibilities in an orderly manner, avoiding the loss of history and ensuring that strong relationships continue.

Finally, I would like to commemorate Samih Darwazah, the founder of Hikma and my father. Samih passed away during the year and I know that a number of you, as well as Hikma people, miss him. I know how proud he was of what Hikma's people have achieved and the direction in which we are going. Samih spent his entire career promoting our Hikma values of transparency, respect, trust and quality. These will continue to guide us.

Said Darwazah
Chairman and Chief Executive

Corporate governance at a glance

Continuing our journey ready for the future

During 2015, the Board focused on embedding previous changes, making the largest strategic move in the Company's history and planning for the future succession.

Hikma's Board of Directors

Highlights of 2015

- Strengthened our strategic partnership with Boehringer Ingelheim through the appointment of Jochen Gann
- Expanded our US board experience by undertaking an extensive search process leading to the appointment of John Castellani
- Launched the Women Empowerment programme
- Re-assessed and improved our approach to risk management at the Board, Executive Committee and across the Group
- Nominated for the ICSA Award for Best Board disclosure in the FTSE 100
- Undertook a comprehensive audit tender process leading to a change of auditor
- Externally assessed the effectiveness of our Anti-Bribery and anti-Corruption programme
- Undertook our annual review of all governance practices
- Strengthened our internal controls and governance processes for subsidiaries and delegation of authority

Priorities in 2016

- Integrating Roxane and developing our relationship with Boehringer Ingelheim
- Embedding the changes to the Board which are identified above and detailed in our succession plan
- Ensuring an orderly handover of responsibilities from Michael Ashton to Dr Pamela Kirby as Chair of the Remuneration Committee
- Further developing and implementing our risk control framework
- Continuing to contribute to governance practice and thought leadership throughout our jurisdictions of operation
- Deepening our integral commitment and procedures to respect the dignity and human rights of our employees and others
- Further advancing our commitment to business integrity by completing the roll-out of procedures, policies and training in each operational jurisdiction

Attendance

During the year under review the Board held eight scheduled meetings and three unscheduled meetings. All Directors attended each scheduled meeting. Through no fault of his own, Mazen Darwazah was unable to attend one meeting which was called at short notice. Mazen read the papers for consideration at that meeting and relayed his comments in advance through the Chairman and Chief Executive. Mazen contacted the Company Secretary as soon as possible in order to establish the outcome and key points considered.

Board meeting attendance

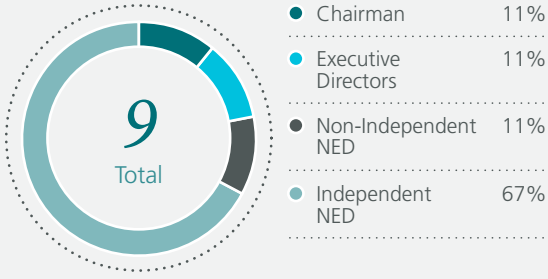
Director	Attended	%
Said Darwazah	11/11	100%
Mazen Darwazah	10/11	91%
Ali Al-Husry	11/11	100%
Breffni Byrne	11/11	100%
Michael Ashton	11/11	100%
Ronald Goode	11/11	100%
Robert Pickering	11/11	100%
Pat Butler	11/11	100%
Dr Pamela Kirby	11/11	100%

Please see pages 66 to 67 to view the detailed Board calendar and meeting activities.

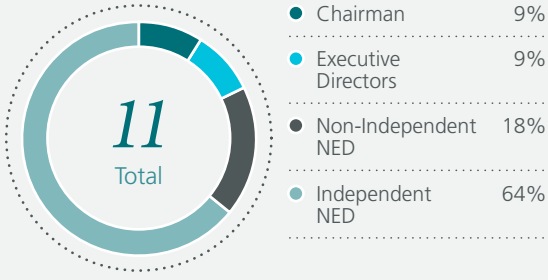
Board changes

There were no changes to the Board during 2015. Since the year end, Dr Jochen Gann has joined as the Boehringer Ingelheim nominated non-executive and John Castellani has joined as an independent non-executive. Breffni Byrne is due to stand down at the AGM on 12 May 2016.

2015 Composition



2016 Composition



Corporate governance at a glance – *Continued*

2015 Board key business & the time spent by area of focus

FEB

- Initial full-year financial performance
- EUP acquisition approval
- Launched the search for a Director
- Market update

Mar

- Bond issuance
- Risk appetite
- Preliminary statements/R&A 2014
- Board evaluation
- Dividend
- AGM notice

May

- AGM
- Forecast II & Interim management statement
- Potential acquisition
- US generics market

Jul

- Roxane acquisition approval
- Quality risk deep dive
- Directors' responsibilities
- Investor relations review

Aug

- Acquisition deep dive
- Hikma Ventures
- Proposed interim dividend
- Forecast III & Interim announcement and results
- IT risk deep dive

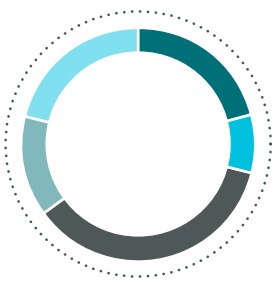
Nov

- Forecast IV & Interim management statement
- Emerging market risk
- Product pipeline risk
- Acquisition structure update

Dec

- Acquisition circular
- Budget for 2016
- Financing
- Investor relations review
- Board processes

The Board's time



Financial	21%
Operational developments	8%
Strategy and Acquisition	36%
Corporate governance	14%
Risk	21%

Please see pages 69 to 71 to view in detail the Directors' biographies

Regular items and responsibilities

The following items are matters of regular discussion at meetings of the Board of Directors.

Chief Executive's report

- Operational update from the business divisions
- New greenfield and partnerships
- Issues arising across the Group

Risk

- Risk appetite
- Principal risks
- Deep dive assessments
- Management framework

Committee reports

- Committee Chair updates on business of the Committee
- Discussion of recommended action
- Delegation of issues to management

Investors and markets

- Analyst opinions
- Market consensus information
- Investor relations annual review

Legal

- Reputational and regulatory issues
- Litigation developments

Strategic

- Business environment updates
- Pharmaceutical market strategy
- Specific M&A opportunities

Finance

- Financial reporting
- Flash sales
- Forecasting
- Budgeting

Governance

- Board process enhancements
- UK and listed environment developments
- Annual governance review

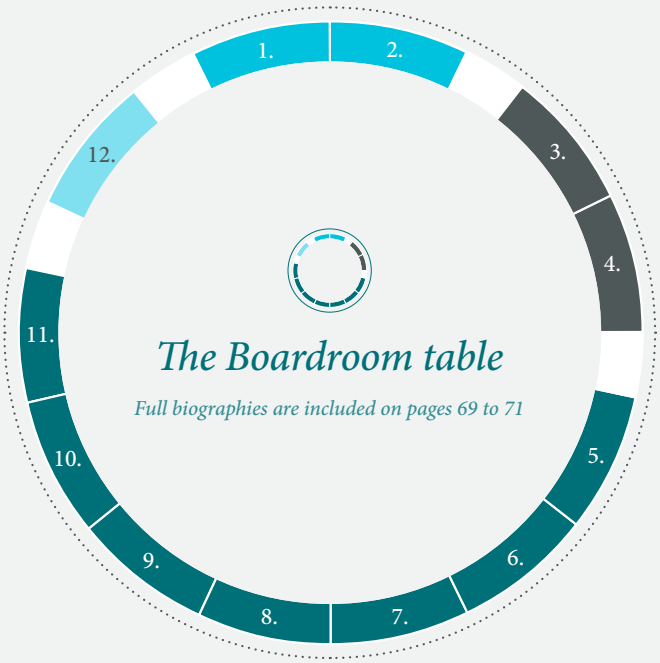
Training

- Broker updates on the market
- Tailored director training sessions
- Programmes from external advisers

Corporate Governance – *Continued*

Board of Directors

Around the table



Executives

1. Said Darwazah
Chairman and Chief Executive

- Strategic vision
- Acquisitions and financing
- US pharmaceuticals
- Governance and leadership

2. Mazen Darwazah
Executive Vice Chairman, Chief Executive of MENA and Emerging Markets

- MENA pharmaceuticals
- Regulatory and reputational
- Strategy and operations
- Business integrity and ethics

Non-Executives

3. Ali Al-Husry
Non-Executive Director

- Financing and capital markets
- MENA region
- Business development
- Pharmaceuticals

4. Dr Jochen Gann
Non-Executive Director

- Acquisitions and business development
- Treasury and capital management
- EU pharmaceuticals

Independent Non-Executives

5. Robert Pickering
Senior Independent Non-Executive Director

- Listed environment and governance
- Capital markets

6. Dr Pamela Kirby
Chair (elect) Remuneration Committee

- US and UK pharmaceuticals
- Human resources and people

7. Breffni Byrne
Independent Non-Executive Director

- Auditing and accounting
- Governance and reputation

8. Michael Ashton
Chair Remuneration Committee

- North American, European and African manufacturing and distribution
- Human resources and people

9. Dr Ronald Goode
Chair Compliance, Responsibility and Ethics Committee

- US and international pharmaceuticals
- Business integrity and ethics

10. Pat Butler
Chair Audit Committee

- Financial affairs and audit
- Strategy and risk

11. John Castellani
Independent Non-Executive Director

- US pharmaceutical market
- Regulatory and legislative

Company Secretary

12. Peter Speirs
Company Secretary

- Governance

1. Said Darwazah
Chairman and Chief Executive

Age: 58 / Appointed: 1 July 2007

Joined Hikma: 1981 / Nationality: Jordanian

Skills and experience: Said has served as Chief Executive since July 2007 and Chairman since May 2014. Said was Chairman and Chief Executive of Hikma's group holding company from 1994 to 2003 and Minister of Health for the Hashemite Kingdom of Jordan from 2003 to 2006.

During his 34 years at Hikma, Said has undertaken several executive roles which have provided him with extensive experience in each functional area of Hikma's global generic pharmaceuticals business and in the broader strategic leadership of an international and entrepreneurial organisation. Said has led the development of the Group strategy, the Injectables business in Europe and the MENA region and acquisitions including West-Ward Pharmaceuticals and Baxter's injectable business. Under Said's leadership, Hikma's facilities in the US, Jordan and Portugal received US FDA approval, the leading international pharmaceutical regulatory standard.

Said has a degree in industrial engineering from Purdue University and an MBA from INSEAD.

Other appointments: Said holds various public and charitable positions. He is the Chairman of the Queen Rania Foundation, a major charitable project, and a Director of Endeavour Jordan, a charitable organisation that assists in the development of entrepreneurs, and a Trustee of Jordan River Foundation, a charitable organisation that aims to empower Jordanian society. Said is also Chairman of the Jordanian University of Science and Technology and a trustee of the American University of Beirut. Said is a member of the Central Bank of Jordan Board. He is also Chairman of the Dead Sea Touristic and Real Estate Investments.

Committee membership:

- Executive Committee (Chair)

2. Mazen Darwazah
Executive Vice Chairman, Chief Executive of MENA and Emerging Markets

Age: 57 / Appointed: 8 September 2005

Joined Hikma: 1985 / Nationality: Jordanian

Skills and experience: Mazen was appointed Group Executive Vice Chairman and MENA Chief Executive in 2005 and became President and Chief Executive of MENA and Emerging Markets in 2014. During his 30 years' service at Hikma he has held an extensive range of positions within the Group starting as a medical representative and working in different capacities including Chairman and Chief Executive of Hikma Pharmaceuticals Limited, a major group operational and holding company.

Mazen is responsible for the strategic and operational direction of the MENA business. He is also responsible for the expansion of the Group into emerging markets outside the MENA region, global alliances, business relationships, CR and business integrity.

Mazen holds a BA in Business Administration from the Lebanese American University and an AMP from INSEAD. He has served as the President of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances.

Other appointments: Mazen holds various public and charitable positions. Mazen is the Chairman of the Jordan International Insurance Company and Vice Chairman of the Capital Bank of Jordan. Mazen is also a trustee of the St. Louis College of Pharmacy and Birzeit University. He is on the advisory Board for the Lebanese American University (LAU), Lebanon, and the Buck Institute for Education, San Francisco.

Committee membership:

- CRE Committee
- Corporate Responsibility Committee (Chair)
- Executive Committee
- Nomination Committee

Standing left to right: Dr Jochen Gann, Peter Speirs, Robert Pickering, Said Darwazah, Dr Pamela Kirby, Michael Ashton, Ali Al-Husry, Mazen Darwazah, Pat Butler, John Castellani
Seated left to right: Dr Ronald Goode, Breffni Byrne

Corporate Governance – *Continued*

Board of Directors – *Continued*

3. Ali Al-Husry
Non-Executive Director

Age: 58 / Appointed: 14 October 2005

Joined Hikma: 1981 / Nationality: Jordanian

Skills and experience: Ali joined Hikma as Director of Hikma Pharma Limited in 1981 and has held various directorships within the Group. Ali brings great financial experience to the Board as well as an in-depth knowledge of the MENA region and Hikma Pharmaceuticals. Ali was a founder of the Capital Bank of Jordan, which offers commercial and investment banking services, and served as Chief Executive of the Bank until 2007.

Ali has a degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD.

Other appointments: Ali is Chairman of Endeavour Jordan, a not for profit organisation that assists in the development of entrepreneurs and a Director of the Microfund for Women, which provides microfinance to low-income female entrepreneurs. He is also a trustee for the Jordanian University of Science and Technology. Additionally, Ali is a Director of the Capital Bank of Jordan.

4. Dr Jochen Gann
Non-Executive Director

Age: 51 / Appointed: 29 February 2016

Joined Hikma: 2016 / Nationality: German

Skills and experience: Jochen is Global Head of Corporate Finance / M&A and Corporate Vice President at Boehringer Ingelheim GmbH. In his M&A role he leads Boehringer Ingelheim's mergers and acquisitions activities across all businesses. He is also responsible for Business Development & Licensing (Strategic Transaction and Alliance Management) for Boehringer's prescription medicine division. In addition, in his role as Corporate Treasurer he is responsible for the group's financing, asset management, risk management, and liquidity and credit management activities as well as the corporate banking strategy. Jochen is also managing director of the Corporate Venture Fund.

Jochen has held several senior roles at Boehringer Ingelheim including Head of Controlling Subsidiaries and Head of Tax. Prior to joining Boehringer Ingelheim in 2007, Jochen held the positions of Head of Corporate Treasury at Cognis GmbH, Managing Director at Degussa Bank GmbH, Head of Treasury Controlling at Hoechst AG and Consultant at Metzler, Germany.

Jochen holds a Doctorate Degree (International Finance) from University of Hohenheim, Germany and a Master's Degree in Business Administration and Science from University of Karlsruhe, Germany.

Other appointments: Jochen currently holds a number of board positions at companies of the Boehringer Ingelheim group. He is also currently Chairman of the Finance committee at Verband Der Chemischen Industrie e. V., Germany and a Member of the Advisory Board KfW IPEX-Bank GmbH, Germany.

5. Robert Pickering
Senior Independent Director

Age: 56 / Appointed: 1 September 2011

Joined Hikma: 2011 / Nationality: British

Skills and experience: Robert joined the Board as a Non-Executive Director in September 2011 and became Senior Independent Director in May 2014. Robert spent 23 years at Cazenove and Co., becoming the first Chief Executive of Cazenove Group PLC in 2001. He subsequently served as Chief Executive of JP Morgan Cazenove, until his retirement in 2008. He has extensive experience of capital raising, mergers and acquisitions and of the relationship between quoted companies and investors.

Robert is a qualified solicitor with a law degree from Lincoln College, Oxford.

Other appointments: Robert is a Non-Executive Director of Neptune Investment Management, a fund management company. He is also a Non-Executive Director of CLSA UK, a branch of CLSA Limited, an independent brokerage and investment group and Itau BBA International PLC, the investment bank of the Itaú Unibanco group. He is Chairman of the Trustees of Lincoln College Oxford 2027 Trust.

Committee membership:

- Audit Committee
- Nomination Committee (Chair)
- Remuneration Committee

6. Dr Pamela Kirby
Independent Non-Executive Director

Age: 62 / Appointed: 1 December 2014

Joined Hikma: 2014 / Nationality: British

Skills and experience: Dr Pamela Kirby was Chief Executive of Quintiles Transnational Corp and has held senior executive positions in F Hoffmann-La Roche Ltd and AstraZeneca plc. Dr Kirby has chaired Scynexis Inc and was Senior Independent Director of Informa plc. Dr Kirby has previously held Non-Executive Director positions with Smith & Nephew plc, Novo Nordisk A/S, Curalogic A/S and Oscient Pharmaceuticals Corp.

Dr Kirby holds a first-class Bachelor of Science degree in Pharmacology and a PhD in Clinical Pharmacology from the University of London.

Other appointments: Dr Kirby is a Non-Executive Director of DCC plc, Victrex plc and Reckitt Benckiser Group PLC.

Committee membership:

- Audit Committee
- CRE Committee
- Remuneration Committee (Chair from 15 May 2016)

7. Breffni Byrne
Independent Non-Executive Director

Age: 70 / Appointed: 14 October 2005

Joined Hikma: 2005 / Nationality: Irish

Skills and experience: Breffni is a chartered accountant with over 30 years of experience in public practice, including significant international responsibilities. Breffni served as the Managing Partner of the Audit and Business Advisory practice of Arthur Andersen in Ireland and as Director of Risk Management of Andersen's audit practice in the Middle East, India, Africa and the Nordic countries. Breffni has extensive experience in financial reporting, international operations, corporate governance and general financial and commercial matters. Breffni is a former Non-Executive Director of Irish Life and Permanent PLC and Coillte Teoranta, the Irish state-owned forestry company. Breffni was Chairman of Aviva's life insurance operations in Ireland and Chairman of Investec Securities Holdings Limited (formerly NCB Stockbrokers Limited.) Breffni is considered by the Board to have recent and relevant financial experience.

Breffni holds a Master's degree in Economic Science from University College Dublin and is a chartered accountant.

Other appointments: Breffni is Chairman of Tedcastles Holdings, an oil distribution company. Breffni is also a Non-Executive Director of Citibank Europe plc, Hillingdon Investment Company and Cpl Resources PLC, a human resources company. Breffni has been a member of the Audit Committee of all of the above companies, in most cases the Chairman.

Committee membership:

- Audit Committee
- CRE Committee
- Remuneration Committee

8. Michael Ashton
Independent Non-Executive Director

Age: 70 / Appointed: 14 October 2005

Joined Hikma: 2005 / Nationality: Australian

Skills and experience: Michael has over 30 years' experience in the pharmaceutical industry, holding senior executive positions with Pfizer and Merck. Michael was Chief Executive of Puricore until June 2015, SkyePharma PLC from November 1998 to March 2006 and prior to that was Chairman, President and Chief Executive of Faulding. He has held a number of non-executive and advisory positions across the pharmaceutical industry.

Michael has a Bachelor of Pharmacy degree from Sydney University, and an MBA degree from Rutgers University, New Jersey.

Other appointments: Michael is a Non-Executive Director at Transition Therapeutics, a therapeutics biopharmaceutical company. He is also Chairman of Komix, a private children's educational company.

Committee membership:

- Audit Committee
- Nomination Committee
- Remuneration Committee (Chair until 15 May 2016)

9. Dr Ronald Goode
Independent Non-Executive Director

Age: 72 / Appointed: 12 December 2006

Joined Hikma: 2006 / Nationality: American

Skills and experience: Ron has spent over 30 years in the international pharmaceutical industry, including roles as President of International Operations at Searle and Vice President of Clinical and Scientific Affairs at Pfizer. Ron's extensive experience includes leading companies as Chief Executive and acting as an adviser to companies in the pharmaceutical industry. Ron also advises companies involved in nanotechnology and in the information technology business sectors.

Ron was formerly President and Chief Executive of Unimed Pharmaceuticals, Inc. and eXegenics Inc. Ron was a Trustee of Thunderbird School of Global Management, which was ranked by the Financial Times as the premier international business school.

Ron has a PhD from the University of Georgia and a MS and BS from the University of Memphis.

Other appointments: Ron is the Chairman of The Goode Group, advisers to the pharmaceutical industry. Ron is a Director of Mercy Ships International, a medical services charity. Ron is a Senior Business Advisor to The Kinsella Group, an investment banking company. He is also a member of the Scientific Advisory Board to The North Texas Enterprise Center for Medical Technology. Additionally he is a member for Private Access, Inc., a medical record software developer. Ron is a recipient of the University of Georgia distinguished alumni award.

Committee membership:

- Audit Committee
- CRE Committee (Chair)
- Remuneration Committee

10. Pat Butler
Independent Non-Executive Director

Age: 55 / Appointed: 1 April 2014

Joined Hikma: 2014 / Nationality: Irish

Skills and experience: Pat is a former Senior Director at McKinsey & Co. During his 25 years at McKinsey, he focused on advising large corporations in the EU, US and MENA on strategic, acquisition and organisational issues. Pat was a partner at the Resolution Group, a financial services investment and restructuring company. Pat has extensive experience in strategy implementation, integrating acquisitions, performance improvement and a range of finance functions including treasury and risk management. Pat is considered to have recent and relevant financial experience.

Prior to McKinsey, Pat qualified as a chartered accountant with the audit and tax practice of Arthur Andersen. He has a first class honours degree in Commerce and a postgraduate diploma in Accounting and Corporate Finance from University College Dublin.

Other appointments: Pat is a Non-Executive Director of the Bank of Ireland, Res Media Limited and British Business Bank Investments Limited. He is also a Governor of the British Film Institute and a trustee of the Resolution Foundation.

Committee membership:

- Audit Committee (Chair)
- CRE Committee
- Nomination Committee

11. John Castellani
Independent Non-Executive Director

Age: 65 / Appointed: 1 March 2016

Joined Hikma: 2016 / Nationality: American

Skills and experience:

John J. Castellani was President and Chief Executive Officer of Pharmaceutical Research and Manufacturers of America (PhRMA) from 2010 to 2015. Prior to that, he was the President and Chief Executive of Business Roundtable, an association of leading US company Chief Executives. During his career John has also held senior positions with Burson-Marsteller, Tenneco, Inc. and General Electric Corp., amongst others.

John holds a Bachelor of Science Degree (Biology) from Union College Schenectady, New York.

Other appointments: John is a member of the board of trustees of The Johns Hopkins Medical System Sibley Memorial Hospital, Washington, DC. He is also a member of the board of directors of the National Patient Safety Foundation.

Committee membership:

- Audit Committee
- CRE Committee
- Remuneration Committee

12. Peter Speirs
Company Secretary

Appointed: 3 April 2012

Joined Hikma: 2010 / Nationality: British

Skills and experience: Peter joined Hikma as a Deputy Company Secretary in 2010 and assumed the role of Company Secretary in 2012. Peter is responsible for advising the Board and Committees on governance matters. Prior to joining Hikma he worked for Barclays and Pool Re, the UK terrorism re-insurer.

Peter is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a Law degree from the University of East Anglia.

Peter is Vice Chair of Governors and Chair of the Finance and Resources Committees of Lime Tree School.

Corporate Governance – *Continued*

Executive Committee

Said Darwazah
Chairman and Chief Executive

Please refer to page 69 for full biographical details.

Mazen Darwazah
Executive Vice Chairman, Chief Executive of MENA and Emerging Markets

Please refer to page 69 for full biographical details.

Bassam Kanaan
Chief Strategy and Corporate Development Officer

Appointed: 2014

Joined Hikma: 2001 / Nationality: Jordanian

Skills and experience: Bassam joined Hikma as Chief Financial Officer in 2001 and played a leading role in preparing for Hikma's IPO in 2005 and in its subsequent M&A activity. In January 2011, Bassam was promoted to the position of President and Chief Operating Officer for the MENA and EU regions, where he led the implementation of important organisational and operational improvements. In 2014, he was promoted to the newly created role of Chief Strategy and Corporate Development Officer, with Group-level responsibility for strategic development, acquisitions, alliances and product development. Bassam is responsible for delivering the expansion vision of the Chief Executive.

Bassam is qualified as a US Certified Public Accountant (CPA) and Chartered Financial Analyst (CFA). Bassam has a BA from Claremont McKenna College and an International Executive MBA from Kellogg/ Recanati Schools of Management.

Other appointments: Bassam currently holds a Non-Executive Directorship in Arab Bank. Bassam has served on the Boards of Aqaba Development Co., Jordan Dubai Properties, Zara Holding, Capital Bank of Jordan, CEGCO and Paltel. Bassam is active in several non-profit and charity organisations and is currently a member of the Board of Trustees of the Welfare Association in Jordan.

Committee membership:

- Executive Committee
- Global Management Committee (Chair)

Majda Labadi
Corporate Vice President for Human Resources and Head of Operations, MENA

Appointed: 2009

Joined Hikma: 1985 / Nationality: Jordanian

Skills and experience: During her 30 years at Hikma, Majda has held a variety of roles including Purchasing Manager at Hikma Pharmaceuticals Limited, Strategy Manager at Hikma Investment, General Manager of Hikma Farmacêutica and Vice President of Injectables. In February 2009, Majda assumed her current position as Corporate Vice President, Human Resources and she took on additional responsibility for MENA operations in January 2015. She has been responsible for establishing a central human resource practice and leading the development of several Group-wide initiatives, including the grading structure, performance evaluation process and the Group bonus scheme.

Standing left to right: Michael Raya, Brian Hoffman, Majda Labadi, Said Darwazah, Khalid Nabilsi, Susan Ringdal, Bassam Kanaan
Seated left to right: Mazen Darwazah, Riad Mishlawi

Majda has completed the Advanced Management Program (AMP) at INSEAD, holds a BA from the American University of Beirut and a Master's degree from Hochschule Fur Okonomie in Berlin, Germany.

Committee membership:

- Executive Committee

Khalid Nabilsi
Chief Financial Officer

Appointed: 2011

Joined Hikma: 2001 / Nationality: Jordanian

Skills and experience: Prior to assuming his current role, Khalid held several senior positions in the Hikma finance department including Corporate Vice President, Finance and was a key member of the IPO team in 2005. Following qualification as a CPA he held a variety of roles in financial accounting, reporting and financial advisory services, and with Atlas Investment Group (now AB Invest) where he was involved in mergers and acquisitions advisory services. Prior to Atlas, Khalid had managed several multinational audit engagements at Arthur Andersen in Amman, Jordan. As Chief Financial Officer, Khalid has integrated several acquisitions into the financial reporting structure, developed the Group internal control framework and implemented new leverage arrangements to fund acquisitions and capital investment.

Khalid qualified as a US Certified Public Accountant and has an MBA from the University of Hull.

Other appointments: Khalid is a founder of the Jordan Association for Management Accountants and a Board member of the Jordan Armed Forces and Security Apparatuses Credit Union.

Committee membership:

- Executive Committee

6. Susan Ringdal
Vice President, Corporate Strategy and Investor Relations

Appointed: 2012

Joined Hikma: 2005 / Nationality: American

Skills and experience: Susan joined Hikma as Investor Relations Director, having previously worked for the pharmaceutical distribution and retail pharmacy group Alliance UniChem plc as Investor Relations Manager. She also has experience as an Equity Analyst at Morgan Stanley in London. In early 2012 Susan assumed responsibility for corporate strategy.

Susan holds a BA in History from Cornell University and an MBA from London Business School.

Committee membership:

- Executive Committee
- Global Management Committee

Michael Raya
President and Chief Executive of the US

Appointed: 2008

Joined Hikma: 1992 / Nationality: American

Skills and experience: Michael joined Hikma's US subsidiary West-Ward Pharmaceuticals from Vitarine Pharmaceuticals where he had worked from 1984 until 1992 in various roles, including Vice President, Quality Control. Prior to this, Michael worked at Schering-Plough and Hoffman LaRoche. At Hikma, Michael was responsible for all West-Ward Pharmaceuticals operations as well as quality/compliance for all worldwide Hikma facilities until his appointment as President and Chief Executive of West-Ward Pharmaceuticals in 2008.

Michael holds a Master's degree in Industrial Pharmacy from Long Island University and a Bachelor's degree in Chemistry from St. Francis College. Michael is also a graduate of INSEAD's International Executive Program.

Committee membership:

- Executive Committee

Riad Mishlawi
EU Vice President and Global Head of Injectables

Appointed: 2011

Joined Hikma: 1990 / Nationality: Lebanese

Skills and experience: Riad joined Hikma as a Project Engineer in the engineering department where he was involved in the construction of Hikma's facility in Portugal. He spent a significant period in the manufacturing operations of many Hikma sites, was General Manager of Hikma Italy and became Head of Injectables Manufacturing Operations before assuming his current role. Riad was an Executive Director at Watson Pharmaceuticals from 1998 to 2005, responsible for Injectables operations. Riad has led Hikma's Injectables division through a period of rapid growth and has integrated operations into a global operation.

Riad has a BSc in Engineering and a Master's in Engineering and Management from George Washington University.

Committee membership:

- Executive Committee

Brian Hoffman
President and Chief Executive of the Generics Division

Appointed: 2015

Joined Hikma: 2009 / Nationality: American

Skills and experience: Brian was appointed President of West-Ward Pharmaceuticals in 2015 with responsibilities for two of Hikma's facilities, supply chain, business development, and product selection. Brian originally joined West-Ward in 2009 to develop a strategy function and was later promoted to VP Corporate Development and SVP & General Manager. Brian has led many strategic initiatives including the acquisitions and integrations of Baxter's Multi-Source Injectables business and Boehringer Ingelheim's Roxane Laboratories.

Brian worked for L.E.K. Consulting as a management consultant in their Boston office. He led engagements for clients in a wide variety of areas including growth strategy, merger evaluation and integration, new product launches, and strategic alliances.

Brian holds a Bachelor's Degree in Business Administration from Boston University Questrom School of Management and an MBA from the University of Chicago Booth School of Business with concentrations in strategic management, finance, and marketing.

Committee membership:

- Executive Committee

Corporate Governance – *Continued*

Governance report

Explanations under the Code

Governance principles

The Board is committed to the standards of corporate governance set out in the UK Corporate Governance Code (the Code) adopted in September 2014 and the Markets Law of the Dubai Financial Services Authority. The report on pages 62 to 129 describes how the Board has applied the Main Principles of the Code and Markets Law throughout the year ended 31 December 2015. The current Code is available at www.frc.org.uk

The Board considers that this Annual Report provides the information shareholders need to evaluate how we have complied with our current obligations under the Code and Markets Law.

The Board acknowledges that Said Darwazah holding the positions of Chairman and Chief Executive and the continuation of Independent Non-Executive Directors who have served more than nine years require explanation under the Code. Hikma is committed to an open dialogue regarding these matters. Questions may be directed to and further information may be requested from the Company Secretary. Otherwise, throughout the year and up until the date of this report, Hikma was in full compliance with the Code.

Chairman and Chief Executive position

The Board is aware that Said Darwazah's position as Chairman and Chief Executive is a departure from the Code, provision A.3.1. The Board fully considered the position and consulted shareholders in early 2014. The disclosure below summarises the Board's rationale. The Independent Non-Executive Directors meet twice a year to review the Board structure including consideration of whether the combined role continues to be appropriate. The Independent Non-Executive Directors have concluded that the position remains appropriate.

Reasons for the decision

The Board is focused on the commercial success of Hikma and believes that the continuing position of Chairman and Chief Executive is the best way to achieve this objective for Hikma because:

- Chairman's role: The Chairman position is highly visible inside and outside Hikma, acting as an ambassador with business partners and adviser to the divisions. It is essential the Chairman intimately understands MENA culture and has strong relationships in the region, can speak Arabic and has extensive pharmaceutical knowledge.
- Business partners: A significant number of the Company's key political and commercial relationships across the MENA region are built on the long-term trust and respect for the Darwazah family where the role of the Chairman remains key.
- Continuity of success: Said Darwazah has been a driving force behind the operational success of the business since 2007 and the Board believes that it is important to the continued success of the Group that he remains in the lead executive role.
- Succession: The Board considers that an external Chief Executive appointment is unlikely to be in the best interests of the Group given its heritage and management structure. The Chief Executive is developing the executives below him with a view to handing responsibilities over in the medium term.

Control enhancements

The Board has implemented the following enhancements to controls:

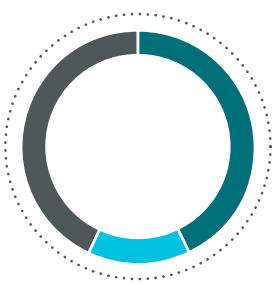
- Governance structure review: The Independent Directors meet at least bi-annually in a private session chaired by the Senior Independent Director. This meeting includes consideration of the appropriateness of the governance structure and safeguards for shareholders.
- Committee Chair roles: The Chairs of the Board Committees, all of whom are Independent Non-Executive Directors, undertake a significant amount of work in the oversight of the functions that report to their Committees and have in-depth relationships with the relevant executives.

- Transparency and engagement: Hikma has always had the highest regard for external shareholders. Many of the original investors from before listing still invest and support Hikma today. Over ten years since flotation the Company has maintained the highest standards of shareholder engagement, which is reflective of the importance placed in maintaining strong investor relations and governance. Hikma has won and been shortlisted for several transparency and governance awards, particularly over the past five years.
- Expanded Senior Independent role: The Board has increased the responsibilities of the Senior Independent Director to assume joint responsibility, with the Chairman and Chief Executive, for setting the Board agenda, agreeing action points and the minutes of the meetings.

Independence

The Board considers Robert Pickering, Michael Ashton, Ronald Goode, Breffni Byrne, Pat Butler, Dr Pamela Kirby and John Castellani to be independent. These individuals provide extensive experience of international pharmaceutical, financial, corporate governance and regulatory matters and were not associated with Hikma prior to the listing of Hikma in 2005.

Tenure range



	Independent NED	
Tenure range	No.	Percentage
0–3 years	3	43%
4–6 years	1	14%
7–9 years	0	0%
9+ years	3	43%

The Board reviewed and considered the independence of the Non-Executive Directors during the year as part of the annual corporate governance review. It recognises that Breffni Byrne, Michael Ashton and Ronald Goode have served in excess of nine years and therefore this constitutes a departure from the Code, provision B.1.1. Breffni Byrne is leaving the Board in May 2016 having successfully handed over his prior responsibilities as former Chair of the Audit Committee. The Board wishes to retain the services of Ronald Goode and Michael Ashton for a time period sufficient to transfer their responsibilities and knowledge in an orderly manner whilst ensuring continuity and ongoing challenge. The Board considers this is appropriate because Hikma is a maturing company in which historical knowledge and personal relationships are important to the successful oversight of the business.

The Board is of the view that Michael Ashton, Breffni Byrne and Ronald Goode remain independent because:

- Their character and the manner in which they perform their role clearly demonstrate independent thought and judgement.
- They ask difficult and challenging questions of management and request additional information when they feel it is required.
- None of the Independent Directors receives additional remuneration apart from Directors' fees, and they do not participate in the Group's share plans or pension schemes.
- There are no conflicts of interest between any Independent Non-Executive Directors and management or the controlling shareholder. The Independent Directors do not serve as directors of any subsidiary companies or affiliates of the Group.

The Board does not view Ali Al-Husry as an Independent Director due to the length of his association with the Company, because he was an executive with Hikma prior to listing and because of his involvement with Darhold Limited, Hikma's largest shareholder. However, he continues to bring to the Board broad corporate financial experience and a detailed knowledge of the MENA region, which is an important and specialist part of the Group's business.

The Board does not view Jochen Gann as an Independent Director because his appointment was made as part of the shareholder agreement with Boehringer Ingelheim, a major shareholder and his primary employer. However, Jochen brings significant M&A and corporate finance experience with a particular focus on the pharmaceutical sector.

Governance report – *Continued*

Roles

The division of Board responsibilities can be summarised as follows:

Chairman and Chief Executive

The Board has approved separate statements of the Chairman and the Chief Executive responsibilities in writing, which are reviewed annually and include:

Chairman:

- Being an ambassador for the Group
- Providing an appropriate environment for the Board to scrutinise and challenge the actions of management in a constructive manner
- Setting the agenda for the Board, in consultation with the Senior Independent Director
- Ensuring that the opinions of Directors and executives are fully taken into account
- Keeping the Senior Independent Director fully informed of all matters of importance to the Group
- Ensuring that the Board considers all matters that are relevant to it and has appropriate information

Chief Executive:

- Providing the strategic vision and implementation capability to ensure the Company achieves its full potential
- Leading the executive team and supporting the business heads in the delivery of the divisional strategies
- Identifying and executing new business opportunities inside and outside the current core activities
- Ensuring effective implementation of Board decisions

Roles and responsibilities

Vice Chairman

When required, the Vice Chairman acts as alternate to the Chairman and Chief Executive and is another point of contact and sounding board for management and Directors. The Vice Chairman advances the executive agenda and supports the Chairman and Chief Executive in setting and delivering strategy. The Vice Chairman has Board level executive responsibility for Hikma's anti-bribery and corruption, business integrity and ethics and corporate social responsibility programmes.

Senior Independent Director

The Senior Independent Director responsibilities include:

- Together with the Chairman and Chief Executive, setting the Board agenda, agreeing actions points and the minutes of the meetings
- Leading the Board in matters of Board composition, effectiveness and evaluation, particularly in relation to the performance of the Chairman and Chief Executive
- Providing a communication channel between the Chairman and Chief Executive and the Non-Executive Directors
- Leading the bi-annual meetings of Non-Executive Directors to assess the appropriateness of the governance structure and safeguards for shareholders
- Providing a sounding board for executive management and the Company Secretary
- Acting as an alternate point of contact for shareholders and maintaining contact with principal investors and representative bodies

Non-Executive Directors

The Non-Executive Directors scrutinise the strategy, risk planning and operations of executives, providing advice and external perspective. They engage with management across the Group to ensure they are fully aware of the Group's activities and issues it faces. The Non-Executive Directors also keep Hikma's governance structure under review and ensure that appropriate safeguards are in place. The Board holds meetings without the executive management present to discuss issues affecting the Group.

Company Secretary

The Company Secretary reports to the Chairman and Chief Executive and supports him and the Senior Independent Director in the delivery of their roles, particularly in relation to information flow and setting the Board agenda. The Company Secretary keeps the Board apprised of matters of governance and policy and all Directors have access to his advice and services. The Company Secretary also acts as secretary to the Board and Committees, supporting the Committee Chairs in the governance aspects of their responsibilities. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Board Committees

The Board has an extensive workload and, therefore, has delegated the detailed oversight of certain items to four Board Committees: Audit; Nomination; Remuneration; and Compliance, Responsibility and Ethics Committee (CREC). Each Committee has terms of reference which were reviewed during the year. Copies are published on the Hikma website and are available for inspection at the registered office at 13 Hanover Square, London, W1S 1HW or by contacting cosec@hikma.uk.com. The Chairs of each Board Committee report on that Committee's business at every Board meeting. The minutes of each Committee are made available to the entire Board. Each Committee is empowered to request information from management and the advice of any employee or officer, and obtain independent professional advice at Hikma's expense.

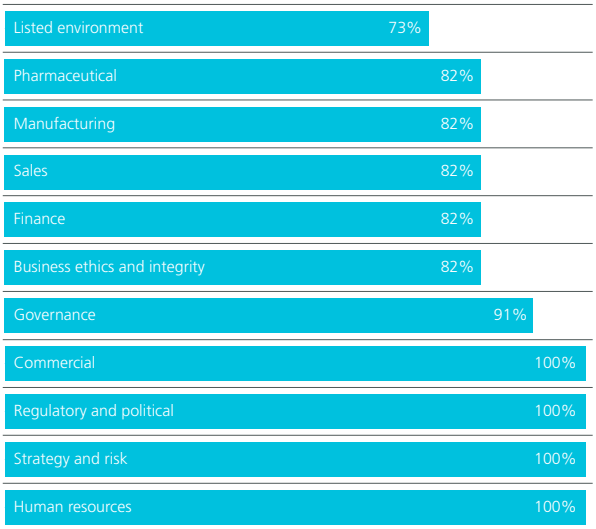
Governance report – *Continued*

Effectiveness

Skills and experience

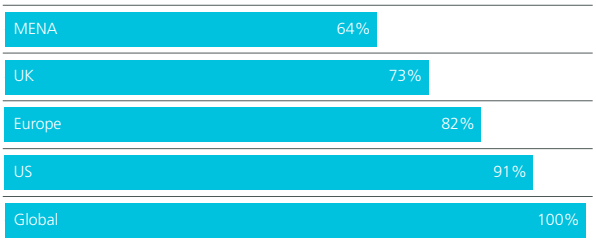
The Board keeps the skills and experience of its members under constant review. The Directors believe in the necessity for challenge and debate in the boardroom and consider that existing Board dynamics and processes encourage honest and open debate with the Executive Directors.

Board experience



Country of origin

Geographical experience



Hikma knowledge

Board members frequently visit the business units and meet management teams to fully understand and advise on the important issues facing the Group. During the year, Non-Executive Directors visited facilities in Jordan, Portugal and the US. The Executive Directors and Ali Al-Husry have extensive experience of Hikma from its earliest days to today. The Directors maintain regular contact with senior management and the Company Secretary ensures that Directors are kept up to date with major developments in the Group's business.

Training

The Chairman considers the development needs of Directors as part of his ongoing assessment of Board effectiveness and ensures that these requirements are met by the Company Secretary organising appropriate training opportunities. The main Board training and development activities this year were:

- External advisers provided the Board with training sessions on governance and financial reporting requirements
- Directors attended several externally provided seminars and discussion forums. Further training is scheduled for 2016
- Hikma's brokers and financial advisers presented industry and market updates to the Board on several occasions
- The Company Secretary made regular updates to the Directors on relevant regulatory and governance matters

Independent advice

The Board Governance Manual provides for any Director to have access to independent professional advice at Hikma's expense.

External commitments

The Directors' external commitments are detailed in their profiles on pages 69 to 71. The Nomination Committee operates, monitors and reviews the conflicts of interest procedures, which have operated effectively during the year. A register of external commitments is maintained by the Company Secretary and is reviewed at each Nomination Committee and Board meeting. Where new commitments are proposed, these are reviewed in advance by the Nomination Committee and, where appropriate, recommendations on necessary controls are made to the Board. The Board considers that a degree of outside commitments enhances a Director's ability to perform the role.

Time

The Directors commit an appropriate amount of time to their roles and are readily available at short notice. The Non-Executive Directors are required to commit 20 days during each year to the execution of their duties. However, all of the Non-Executive Directors devote at least 30 days per annum to their Hikma responsibilities. In addition, the Committee Chairmen spend a significant amount of time on their respective areas of responsibility and Non-Executive Directors take time to meet with management and visit operations where there are particular areas of interest. Consequently, the Independent Non-Executive Directors dedicate substantially more time to Hikma than their appointment requires. The duties of the Chairman and Chief Executive, Directors and Committee Chairs are set out in the Board Governance Manual.

Evaluation and performance

The Board and the Committees undertake an externally moderated evaluation each year. The evaluation process and the issues identified are summarised in the table below.

Process

- The process is co-ordinated by the Senior Independent Director at the request of the Chairman
- Lintstock, an external moderator which has no other connection with the Company, prepared online questionnaires for both the Directors and senior management, designed to build on previously identified themes
- Lintstock managed the process and reported independently to the Chairman and the Senior Independent Director
- Lintstock presented the results and findings to the full Board in the context of Hikma's business and that of its peers in the FTSE and international markets and provided their independent feedback on the results
- A similar process was followed for each Committee of the Board
- The results of the evaluation process formed part of the Chairman's appraisal of the overall effectiveness of the Board and its members
- Regularly during the year, the Directors fed back to the Company Secretary improvements and enhancements that they considered should be progressed outside the evaluation timetable

Elements assessed

- Board Composition, Expertise & Dynamics
- Time Management
- Board Support & Committees
- Strategic Oversight
- Risk Management
- Succession Planning and Human Resource Management
- Priorities for Change

Conclusions and action

Key conclusions and observations from the 2015 evaluation:

- The Board continues to operate effectively and all members actively participate in all discussions with equal contributions, candid discussion and critical thinking
- The Board is well balanced in terms of skills, experience and independence
- The flow, timeliness and quality of information were highly rated
- The Board's risk appetite is well balanced and considered appropriate
- The position of Chairman and Chief Executive has been well managed
- The Board has a positive understanding of the markets of Europe, North America and the MENA region

Governance report – *Continued*

Progress on previously identified issues

Observations	Action taken
Risk management practices could be expanded internally	The Board made the Chief Strategy and Corporate Development Officer responsible for risk management at the Executive Committee. The Board oversaw the development of the risk appetite, reviewed the principal risks and considered management's mitigation strategy for each risk. The Audit Committee developed a process for assessing the viability of the Company and associated risk and viability disclosure.
Additional US political and regulatory experience was required, particularly with the Roxane acquisition	The Nomination Committee led a search process for individuals with the requisite specific and business leadership experience which led to the appointment of John J Castellani.
Further assurance of the implementation and suitability of the ABC procedures	The CRE Committee requested that the Company Secretary lead a re-assessment of Anti-Bribery and anti-Corruption practices. The assessment was undertaken by Good Corporation, as in 2011. A full report demonstrated that significant progress had been made with development and implementation.
The Audit Committee needed to focus on its extensive financial and risk responsibilities	The Board decided to move the governance and external commitment responsibilities of the Audit Committee to the Nomination Committee, allowing both Committees to focus on the workstreams that more naturally suit their remit and providing a better time and responsibility balance.

Chairman's appraisal

The Non-Executive Directors regularly meet in private during the course of the year. The performance of the Chairman and the Board is discussed during these meetings. Additionally, the Senior Independent Director met with the Non-Executive Directors to undertake a formal appraisal of the performance of the Chairman. This review addressed:

- The effectiveness of the Chairman's leadership
- The setting of the Board agenda
- Communication with shareholders
- Internal communication and Board efficiency

The conclusion of this process was that the Chairman gave clear leadership and direction to the Board, and that the Board is run in an appropriate and effective manner.

Responsibilities

Board responsibility

The Board is the ultimate decision-making oversight and control authority in Hikma. The Board sets the strategic direction, monitors financial performance and challenges management ideas and performance. The Board promotes good governance within the Group, and seeks to ensure that Hikma meets its responsibilities to shareholders, employees, suppliers, customers and other stakeholders. The Board is assisted in the delivery of its responsibilities by internal and external advisers:

Internal advisers
- President and CEO, MENA
- Chief Financial Officer
- CEO US
- Chief Strategy and Corporate Development Officer
- VP Strategy and Investor Relations
- VP Human Resources
- VP EU and Injectables
- Company Secretary
- General Counsel

External advisers	Nature of advice
- Bank of America Merrill Lynch	Broker
- CenterView Partners	Investment adviser
- Citigroup	Broker and investment adviser
- Deloitte	Auditor
- E&Y	Internal audit
- Lintstock	Board evaluation
- PwC	Auditor designate and remuneration

Matters reserved to the Board

Hikma maintains a formal schedule of matters reserved to the Board in the Board Governance Manual, which is reviewed annually. The Chief Executive is responsible for delivering Hikma's strategic and operational objectives and has authority from the Board to deliver those objectives through matters which are not reserved and where authority has been delegated specifically. The Chief Executive reports on operational progress and corporate actions to the Board at each meeting. Where appropriate, the Chief Executive is assisted by internal and external advisers in presenting operational progress and key strategic decisions to the Board.

The formal schedule of matters reserved to the Board includes the following items:

- Operational management: Approval of strategy, operations oversight, performance review
- Structure and capital: Approval of changes to Group structure or changes to capital structure
- Financial reporting and controls: Approval of financial announcements, accounts, dividends; significant changes to treasury and accountancy practice
- Internal controls: Assessing the effectiveness of the Group's risk and control processes
- Contracts: Approval of significant contracts, investments and projects which meet pre-set monetary thresholds
- Communication: Approval of certain press releases, and all circulars and prospectuses
- Board membership and other appointments: Approval of changes to Board structure and composition, succession, auditors and Company Secretary
- Remuneration: Determining remuneration policy for senior management and Directors and officers and amending or introducing share incentive plans
- Corporate governance: Annually reviewing Board, Committees and individual Director performance, and reviewing corporate governance arrangements

Indemnities and insurance

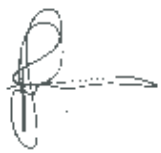
Hikma maintains an appropriate level of Directors' and Officers' insurance. The Directors benefit from qualifying third-party indemnities made by Hikma that were in force during the year and as at the date of this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

Dialogue with stakeholders

Hikma is committed to clear and open communication with shareholders and stakeholders. We take account of the views of our stakeholders in our decisions and policies. If there are matters on which additional explanation is required, we are always happy to discuss them. Please contact the Company Secretary in the first instance by writing to cosec@hikma.uk.com.

The Board maintains a regular dialogue with shareholders through its investor relations programme, directed towards ensuring a mutual understanding of objectives. The principal ongoing communications with shareholders are through the publication of Hikma's Annual Report and Accounts, interim results and interim management statements. The Chairman meets major shareholders periodically to discuss governance and strategy issues in order to understand their views on the Company and to ensure their views are communicated to the Board as a whole. The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with major shareholders on request. The Committee Chairs remain open to discuss any matters relevant to their areas of responsibility, either through contacting Hikma or at the Annual General Meeting (AGM). Shareholders are encouraged to attend the AGM and if unable to do so are encouraged to vote by proxy. Copies of presentations made at the AGM are available on the website after the event, together with the results of the voting. All Directors are expected to attend the AGM and full attendance has been achieved other than when exceptional personal circumstances have intervened.

For and on behalf of the Board of Directors of Hikma Pharmaceuticals PLC



Peter Speirs
Company Secretary

15 March 2016

Introduction to Committees

The Board has an extensive workload and, therefore, has delegated the detailed oversight of certain items to four Board Committees and the Executive Committee of senior management.

Board Committees

The four Board Committees are:

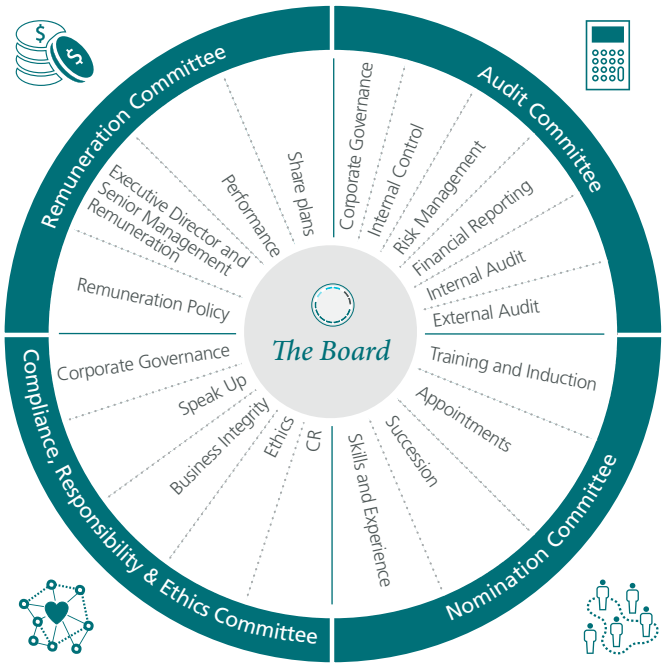
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Compliance, Responsibility and Ethics Committee (CREC)

Each Board Committee has terms of reference which are reviewed annually, published on the Group's website at www.hikma.com and are available for inspection at the registered office at 13 Hanover Square, London, W1S 1HW. The Chair of each Board Committee reports on that Committee's business at every Board meeting. The minutes of each Committee are made available to the entire Board. Each Committee makes a formal annual report to shareholders in the Annual Report.

Executive Committee

Additionally, the Chief Executive is supported by the Group Executive Committee, which considers and develops proposals to the Board, reviews operational performance and oversees strategic and risk activities. This Committee is operationally supported by the Global Management Committee which is composed of executives at the level below the Executive Committee.

Board Committee responsibilities



Audit Committee

Highlights in 2015
- Reviewed the Roxane acquisition, due diligence and circular support
- Conducted an audit tender programme
- Advanced the risk agenda, practices and disclosure
- Successful transition of the Committee Chair

Priorities in 2016
- Integrating Roxane into Hikma's financial reporting framework
- Ensuring a successful first audit for PwC
- Continuing to advance the risk management programme

"Deloitte have served Hikma effectively and diligently."

To find out more, see pages 84 to 89

Nomination Committee

Highlights in 2015
- Identified John Castellani as an additional Director in alignment with US expansion
- Reviewed a BI proposal for Jochen Gann to join the Board
- Fully assumed responsibility for governance

Priorities in 2016
- Further diversifying the gender profile of the Board
- Reviewing the executive succession plan
- Considering the implications of the FCA's governance adjustments to the listing regime

"We have found the right people who broaden the experience profile and fit very well with the existing team."

To find out more, see pages 90 to 95

Compliance, Responsibility and Ethics Committee

Highlights in 2015
- Reinforced our commitment to human dignity
- Transition to a new Chief Compliance Officer
- ABC advancements certified by the risk re-assessment
- Promoted the CR programme

Priorities in 2016
- Developing of Hikma's anti-slavery and human trafficking programme
- Expanding the CREC responsibilities into AML and trade sanctions

"Samih Darwazah fundamentally wanted to make the world a better place through the advancement of people."

To find out more, see pages 96 to 101

Remuneration Committee

Highlights in 2015
- Initiated the handover of the Committee Chair
- Completed a tender for a new remuneration adviser
- Better aligned executive remuneration with the FTSE 100 and global pharma group

Priorities in 2016
- Reviewing the Group remuneration policy
- Embedding the handover of the Chair
- Inducting the new remuneration adviser

"The journey over the last few years has built more systems and processes to support, but not deviate from, that vision of family."

To find out more, see pages 102 to 124

Committee reports: Audit
Letter from the Chair

Performance and prospects – an objective assessment

"Deloitte have served Hikma effectively and diligently."

Dear Shareholders

This is my first letter to you as Chairman of the Audit Committee. Firstly I would like to thank Breffni Byrne for his outstanding leadership of the Committee for its first ten years and for the thoughtfulness and generosity with which he has helped me transition into the role over the last year. I also welcome John Castellani as a new member of the Committee, bringing a wealth of experience from the US and from the regulatory environment.

2015 was a busy year for the Audit Committee. In addition to the normal audit, internal control and reporting responsibilities, we spent considerable time on the Roxane acquisition, on the due diligence, the approval and the issuance of a combined Class I Circular and Prospectus to Shareholders.

The Committee also spent considerable time overseeing the work done to consolidate and enhance how Hikma reports and manages the risks it faces. We approved the design of an enterprise wide approach to risk management, along with new risk and control reporting, and have been monitoring its testing and implementation.

We also put the Company's annual audit up for tender this year, and as a result are proposing to change auditors from Deloitte to PricewaterhouseCoopers (PwC) from 2016. Deloitte have served Hikma effectively and diligently, and were exceptionally helpful to me in my new role over the last 12 months. We wish them well for the future. We welcome our new team from PwC to the journey ahead.

Through the course of the year and at the Committee's request we were joined in our meetings by the Chief Executive, the Chief Financial Officer, the VP of Investor Relations, the Group Financial Controller and other members of the finance team, as well as the auditors and internal auditors. In addition, the Committee met with both internal and external auditors without management present, and I met with each separately on several occasions as part of a review of their work.

This letter and the report following should give you an overview of the scope of the Committee's role, how it operates and the highlights of the last year. In addition, I am happy to meet with shareholders directly if there are matters you would like to discuss.

Pat Butler
Chair of the Audit Committee

2015 Overview

2015 Highlights

- Roxane acquisition – assessed financial transaction rationale, diligence and support for the circular and supplementary circular
- Risk management – thoroughly reviewed our risk appetite, risk management framework and principal risks, viability position and disclosure
- Audit tendering – conducted an extensive audit tender process and appointed a new auditor
- Non-audit fees – reviewed the position on non-audit fees and have resolved to minimise the level of non-audit services
- Auditing – monitored the performance and findings of the external and internal auditors

Calendar of events

Q1

- Forecast I
- Preliminary statements
- Report and Accounts
- Principal risks and uncertainties
- Corporate governance review

Q2

- Audit tender
- Risk appetite
- Forecast II & IMS

Q3

- Roxane due diligence
- Interim dividend
- Forecast III & Interim announcement and results
- Audit tender exercise
- Internal audit report

Q4

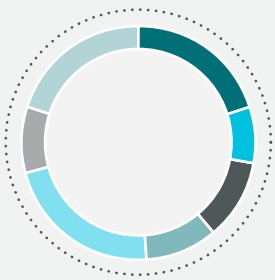
- Roxane circular
- Forecast IV & IMS
- Audit performance and plan
- Budget for 2016
- Risk assessment

Membership and attendance

The Audit Committee comprises seven Independent Non-Executive Directors: Pat Butler (Committee Chair), Breffni Byrne, Michael Ashton, Ronald Goode, Robert Pickering, Dr Pamela Kirby and John Castellani. Pat Butler, the Chair, has extensive experience of financing, accounting, risk and internal control matters from his 30 years at McKinsey and Arthur Andersen. All members have spent a significant portion of their careers in leading positions at financial, advisory and pharmaceutical companies.

Members	Member since	Attended	Potential	Meeting attendance
Pat Butler (Chair)	1 Apr 2014	7	7	100%
Breffni Byrne	14 Oct 2005	7	7	100%
Michael Ashton	14 Oct 2005	7	7	100%
Ronald Goode	12 Dec 2006	7	7	100%
Robert Pickering	1 Sept 2011	7	7	100%
Dr Pamela Kirby	1 Dec 2014	6	7	86%
John Castellani	1 March 2016	–	–	–
Total meetings			**7**	**98%**

Allocation of time



- Final performance 20%
- Announcements/ Results 8%
- Forecasts 11%
- Internal Audit 10%
- External Audit 22%
- Risk 9%
- Roxane 20%

Advisers

Internal	External
• Chief Financial Officer	• Deloitte (Auditor)
• VP Investor Relations and Strategy	• PricewaterhouseCoopers (Successor Auditor)
• Company Secretary	• Ernst & Young (Internal Audit)
• Group Financial Controller	

Committee reports: Audit – *Continued*

The Audit Committee assists the Board in discharging its responsibilities for financial reporting, external audit, internal audit, internal control and risk management. The Committee reviews Hikma's Annual Report, financial statements, interim reports, trading updates and monitors all audit and non-audit work undertaken by external auditors. It monitors the effectiveness and output of Hikma's internal and external audit activities, internal controls and risk management systems. The Audit Committee advises the Board on the appointment, reappointment and removal of the external auditors, as well as the effectiveness of the audit process. The Committee terms of reference include all matters indicated by the Code and clearly set out its authority and duties. They are reviewed by the Board as part of the annual corporate governance review. During the year, the Committee passed responsibility for corporate governance and Directors' conflicts of interest procedures to the Nomination Committee. The terms of reference are published on the Hikma website and are available for inspection at the registered office at 13 Hanover Square, London, W1S 1HW or by contacting cosec@hikma.uk.com.

Significant accounting judgements

During 2015 and up until the date of this report, the Audit Committee considered and discussed the following financial matters:

- Revenue recognition: The Committee reviewed the judgements of management regarding revenue recognition for significant products where the potential for returns and rebates was high. The Committee was satisfied that the review by management validated the approach to revenue recognition and took account of changes in the environment for those products during the year.
- Taxation: The Group's worldwide operations are highly integrated and involve a number of cross-border transactions. There is complexity and judgement in estimating the potential tax liabilities in various jurisdictions. The Committee reviewed the appropriateness of the disclosures in the Annual Report and considered the advice from professional services firms and management in this regard.
- Accounts receivable and inventory: The Committee reviewed the reports on major receivables and inventory provisions. The Committee considered management's valuation of inventory, plans to ensure payment and relevant provisions.
- Goodwill and intangibles: The Committee reviewed management's impairment analysis and associated judgements.
- Asset impairment: The Group has significant investment in fixed assets. The Committee monitored the application of the Group's policies in relation to impairment and valuation of those assets and considered and challenged management's recommendations regarding the appropriate impairment.
- Rebates and chargebacks: The Committee assessed the reports on the processing of chargebacks and rebates in the US. This is a highly judgemental area and applies to a significant proportion of Group revenue. The Committee considered the control and modelling environment and the appropriateness of associated provisions.
- Going concern: The Committee assessed the going concern position when preparing the annual and half-yearly financial statements. The Committee took into account Hikma's forecasts and budget, borrowing facilities, contingent liabilities, medium and long-term plan, and financial and operational risk management.
- Viability: The Committee received the five-year business projections and considered the risk related scenarios that could impact those projects and the ability of the Company to remain viable.

Fair, balanced and understandable

Hikma is committed to clear and transparent disclosure and seeks to continuously improve the clarity of its reporting. In producing the Annual Report, management, the auditors and the Committee ensure that the disclosures are in clear language, reflect the underlying situation and that appropriate information is disclosed.

At the request of the Board, the Audit Committee considers whether Hikma's Annual Report is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess Hikma's position, performance, business model and strategy. The Committee's assessment is underpinned by a comprehensive review conducted by a committee of senior management (the '**Reporting Committee**'), which consists of the:

- Chief Financial Officer
- Vice President, Corporate Strategy and Investor Relations
- Company Secretary
- General Counsel
- Investor Relations Manager
- Vice President for Human Resources*
- Divisional Heads*
- Group Financial Controller*
- Chief Compliance Officer*

The Reporting Committee, which meets regularly during the year:

- Initiates the first review of the Annual Report in November, at which point areas for improvement are identified and enhancements recommended
- Discusses the proposed disclosures with external auditors, brokers and public relations advisers to obtain their input
- Reviews and refines disclosure and ensures the opinions of the advisers continue to be sought
- Oversees a verification process to ensure the accuracy of disclosures
- Issues guidance to contributors at the beginning and throughout the process and reports on actions and significant areas of judgement to the Audit Committee as appropriate

The Audit Committee closely oversees the work of the Reporting Committee, which is responsible for ensuring the accuracy of the information submitted in the Annual Report and assessing whether the narrative section of the report is consistent with the accounting information. Each of the members of the Audit Committee and the Reporting Committee was satisfied that the 2015 Annual Report is fair, balanced and understandable and recommended the adoption of the report and accounts to the Board.

* Where the matters on the agenda relate to their areas of responsibility

External audit

The external audit was undertaken by Deloitte LLP. At the AGM, the Board is recommending the appointment of PwC as auditors. As in previous years, the Committee maintained regular contact with the auditors throughout the year. The Committee regularly reviews the work of the external auditors and undertook an assessment of the auditors' performance and independence and in doing so examined the following issues during the year:

Audit quality and technical capabilities

The Committee formally reviewed the quality of the audit and capabilities of the team during the year and concluded that the existing team conducted an effective audit. The Committee feeds back its comments on the auditors' performance as part of the regular meetings with them that occur without management present. The Committee evaluation process includes an assessment of the work of the auditors, which was rated positively. The FRC's audit quality review team reviewed Deloitte's audit of Hikma's 2014 financial statements as part of their 2015 annual inspection of audit firms. The Chair of the Audit Committee received a full report of the findings of this review and discussed them with Deloitte. The Committee noted that there were no significant areas for improvement identified with the report. The auditors ensure that experienced specialists assist management and present to the Committee where there are issues of a more complex nature, such as international taxation. The Committee believes that there is a strong, appropriate and open relationship between the audit team leadership, the Audit Committee and management.

Independence

The Committee regularly reviews the independence safeguards of the auditors. The auditors are not allowed to undertake work that involves promoting Hikma, installing systems, making management decisions, supporting litigation or tasks that would involve review or reliance upon their audit work. The Committee aims to minimise non-audit work and authorises such activities only where the appointment is in the best interests of the Group and:

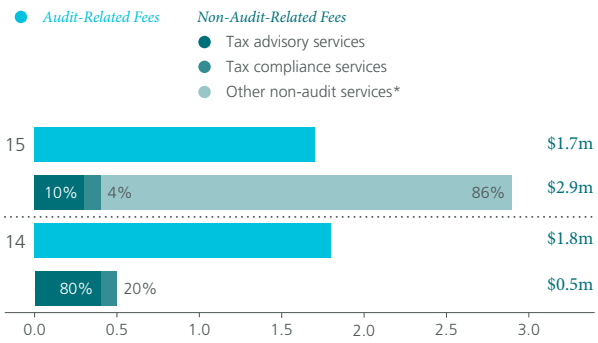
- The independence of the auditors is maintained both in terms of the type of work undertaken and the overall level of the non-audit fee
- The services of other major providers is limited due to issues such as conflicts of interest

Fees paid in respect of audit, audit-related and non-audit services are outlined in Note 6 to the consolidated financial statements and in the chart below. Audit-related services are services carried out by the external audit team by virtue of the role and principally include assurance-related work.

Competition and Markets Authority Order

The Audit Committee has complied with the CMA order relating to the provision of statutory audit services. A competitive audit tender process was undertaken during 2015 and the Committee's responsibilities and powers include those detailed in the Order.

Auditors' Fees ($ million)



* Includes services related to corporate transactions, primarily the Roxane acquisition and Class 1 Circular.

Risk and associated disclosures

Readers are directed to the risk and control disclosures as follows:

- Principal risks and uncertainties on pages 54 to 56
- Risk management on page 58
- Internal control on page 58
- Internal audit on page 59
- Viability on page 60

For and on behalf of the Audit Committee

Pat Butler
Audit Committee Chair

15 March 2016

Case study – audit tender

Introduction

Deloitte LLP were appointed as auditors when the original Hikma holding company was incorporated in 1977. Since that point there have been three senior audit partners, with the current senior audit partner due to complete his term in March 2016. As a result of this and the regulatory changes, the Audit Committee decided it would be prudent to undertake a tender exercise during 2015.

Leadership

The tender process was led by the Audit Committee Chair and a Steering Committee was established comprising the Audit Committee Chair, Mr Breffni Byrne, Dr Pamela Kirby, the Chief Financial Officer, the Group Financial Controller and the Company Secretary.

Participants

Given the size, complexity and geographical scope of the Company, several major global accounting firms were invited to take part in the tender.

Process

The tender process and the Committee's involvement in the process are outlined below:

June 2015

Request for Proposal (RFP)
Hikma circulated the RFP to selected firms.

Independence
Firms confirmed their assessment of independence.

June/July 2015

Data room
Hikma provided access to relevant data.

Site visits
Firms visited the Group's major facilities and operations in Jordan & the US.

July 2015

Management meetings
Firms met management and held one to one meetings with the Audit Committee Chair and Chief Financial Officer.

Proposal
Firms submitted a written proposal which was reviewed by the Steering Committee.

August 2015

Presentation
Firms presented their proposal. The Steering Committee reviewed the proposals and considered which firm to recommend.

September 2015

Audit Committee
The Steering Committee made a recommendation to the Audit Committee. The recommendation was approved.

Conclusion and rationale

Detailed evaluation criteria and a scoring matrix were used to assist the Steering Committee in making its decision. The Committee considered that Deloitte had been invaluable in assisting the development of the Company from incorporation to listing and to the present day. The Committee balanced this against the advantages of having a new audit firm as the Company further matured. PwC had communicated a clear desire to take on the audit, developed excellent relationships with management and had a clear plan to help the Company on the next step of its journey. Accordingly, having taken appropriate references into consideration, the Committee recommended the appointment of PwC and a resolution proposing PwC as Hikma's auditor will be put to the shareholders at the 2016 Annual General Meeting. There are no contractual provisions that restrict the Committee's choice of auditor and Hikma does not indemnify its external auditor. Should shareholders wish to discuss the change of auditor, the Chair of the Audit Committee will make himself available.

Letter from the Chair

Diversity and balance across the Board

"We have found the right people who broaden the experience of the Board and fit very well with the existing team."

Dear Shareholder

The Committee has been active during the year as we have continued to review, adjust and implement our medium-term Board succession plan. The plan provides for the gradual rotation of Independent Non-Executive Directors. We are mindful of the risks of changing too much too quickly and of the danger of losing valuable Company and market-specific knowledge. As we bring new Directors onboard, we will ensure that they are fully inducted into the Company and their roles in advance of the retirement of the Director they are replacing. We are also aware of the potential independence issues of extended service and I confirm that no Independent Director will serve in excess of 12 years. Consistent with this aim, Breffni Byrne will stand down at the close of the AGM.

During the year we undertook a search for an Independent Non-Executive Director with US pharmaceutical and regulatory experience and we were very pleased that we were able to appoint John Castellani as a result. Additionally, as part of our acquisition of Roxane, Boehringher Ingelheim nominated Jochen Gann to the Board and we fully supported their proposal. In respect of both appointments, we have found the right people who broaden the experience of the Board and fit well with the existing team.

Our succession arrangements include rotation of the Committee Chairs. During the year the handover of the Audit Committee responsibilities from Breffni Byrne to Pat Butler was successfully completed. We also began the process of handing over the Remuneration Committee Chair from Michael Ashton to Dr Pamela Kirby, which we aim to complete during the course of 2016.

Having reviewed the responsibilities of the Board Committees during the year and with this Committee already having significant governance responsibilities, we considered it was appropriate for the Committee to assume complete responsibility for governance. This includes the annual governance review process as well as considering the overall structure and controls on the Board. We have reviewed non-executive independence, the role of the Chairman and Chief Executive and the balance of responsibilities and control. The relationship between myself, as Senior Independent, and Said Darwazah, as Chairman, is very strong; we meet regularly, listen to each other's views and work together closely to achieve joint aims.

As the Senior Independent Director, I am open at any time to discussion with shareholders.

Robert Pickering
Chair of the Nomination Committee

2015 Overview

2015 Highlights

- Undertook a non-executive search process leading to the appointment of John Castellani
- Considered Boehringer Ingelheim's proposal for a Non-Executive Director leading to the appointment of Jochen Gann
- Further developed our medium-term succession plan
- Successful transition of the Audit Committee chairmanship
- Initiated a transition process for the Remuneration Committee Chair
- Assumed full responsibility for Board governance
- Reviewed the composition, diversity and balance of skills on the Board

Calendar of events

Q1

- Independence
- Report to shareholders
- Board evaluation

Q2

- Management succession
- Committee evaluation
- Director search

Q3

- Board structure review
- NED appointments
- Director search

Q4

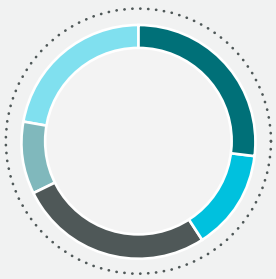
- Board evaluation
- Nominated Director review
- Director search
- Training

Membership and attendance

The Nomination Committee consists of four Directors. Three are Independent Non-Executive Directors: Robert Pickering, who is the Committee Chair, Michael Ashton and Pat Butler. The fourth is Mazen Darwazah, the Executive Vice Chairman. The Committee met seven times during the year. Full attendance was achieved.

Members	Member since	Attended	Potential	Meeting attendance
Robert Pickering (Chair)	1 Sep 2011	7	7	100%
Michael Ashton	14 Oct 2005	7	7	100%
Pat Butler	1 Apr 2014	7	7	100%
Mazen Darwazah	14 Oct 2005	7	7	100%
Total meetings			**7**	**100%**

Allocation of time



- Diversity 27%
- Skills and experience 14%
- Succession 27%
- Independence 10%
- Corporate governance 22%

Advisers

Internal

- Chairman and Chief Executive
- VP Human Resources
- Company Secretary

External

- Spencer Stuart
- Odgers Berndtson
- Lintstock

Responsibilities

The Nomination Committee is responsible for corporate governance and succession planning, including the progressive refreshing of the Board and ensuring that all appointments to the Board are made on objective criteria and that candidates have sufficient time to devote to their prospective responsibilities. It is also charged with reviewing the appropriateness of the size, structure and composition of the Board. The Nomination Committee also operates, monitors and reviews the conflicts of interest procedures, which have operated effectively during the year. The Nomination Committee terms of reference include all matters indicated by the corporate governance principles and clearly set out its authority and duties. The Committee's terms of reference are approved and reviewed by the Board on a regular basis. The terms of reference are published on the Hikma website and are available for inspection at the registered office at 13 Hanover Square, London, W1S 1HW or by contacting cosec@hikma.uk.com.

Diversity

Within Hikma

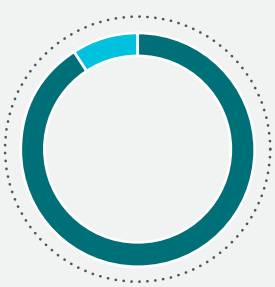
Hikma is committed to employing and engaging the best people, irrespective of background, gender, orientation, race, age or disability. Hikma has always operated a discrimination-free working environment and is committed to gender diversity at all levels and in all areas of its business. We consider that our diversity continues to be demonstrated by the broad range of people in our organisation. Hikma has a long history of a significant number of women being present in executive management positions, a number of whom have worked for the Company for the majority of their careers (see pages 72 to 73 for the Executive Committee membership). This is illustrated in the charts accompanying this page.

The Chief Executive's letter to staff for 2015 stated that one of the two strategic priorities is the "Advancement of women across the Group". The letter stated that "Supporting women to achieve their professional goals is an integral part of the Hikma culture. Women at Hikma have leveraged their broad capabilities and strong leadership skills to help drive Hikma's growth. Together we must take the right steps to ensure that women at Hikma have even more input into current and future projects and encourage them to take on more responsibilities."

At the Board

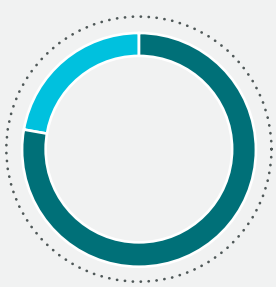
The Committee considered Board diversity at several stages through the year and is committed to further enhance gender diversity as part of its medium-term plans. Since the listing of Hikma the Board has excellent diversity in terms of culture, age, background, skills and experience. The Committee was pleased to be able to improve gender diversity during 2014 but recognises that the current level of female representation is not sufficient for a leading international organisation. The Committee requires the external search consultants to actively seek female candidates and to ensure that a significant proportion of long and shortlisted candidates are female.

Board



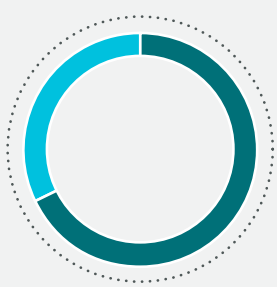
Men	91%
Women	9%

Executive Committee



Men	78%
Women	22%

Hikma Group



Men	68%
Women	32%

Succession

Planning

As in previous years, the Committee continued its work on planning for executive and non-executive succession. The Committee reviewed and updated its medium-term succession plan which allows for the gradual rotation of independent non-executives, to allow for a full induction and the transfer of knowledge and relationships. Independent Non-Executive Directors are normally expected to serve for up to nine years. They may be invited to serve for longer, but additional service beyond nine years is subject to particularly rigorous review and the Committee has resolved that no Independent Non-Executive Director would serve in excess of 12 years. Additionally, the medium-term plan allows for the orderly transition of Committee chairmanship roles, allowing time to ensure parties on the Board and within management are best placed for the change. The Committee will implement the changes necessary to ensure that the plan is met over a two to four year timeframe and will keep shareholders updated as decisions are made. In terms of the process for identifying candidates, the Committee has the necessary authority to advance the search process to the extent that a shortlist of candidates or a candidate is proposed to the Board.

The Board decided to look further ahead in relation to independent non-executive succession, and asked the Nomination Committee to undertake the process to identify a candidate to join the Board as an additional Independent Non-Executive Director. At the request of the Chairman, the Committee undertook a thorough recruitment process, which can be summarised as follows:

- The Senior Independent Director, in consultation with the Board Chairman and with the assistance of the Company Secretary, established a role and experience profile for the position of non-executive director
- A draft profile and the key characteristics and experience required were discussed by the Nomination Committee
- Following an assessment of the executive search market, Spencer Stuart was appointed to identify candidates who met the role profile
- An extensive list of candidates was identified by Spencer Stuart and a shortlist was created through discussions with the Senior Independent Director
- The Senior Independent Director and another Committee member met the shortlisted candidates, the results of which were discussed by the Nomination Committee and recommendations made
- A second round of meetings was undertaken with the Chairman and Chief Executive and the Vice Chairman
- Following a full induction process and John Castellani confirming his desire to join the Board, the Committee recommended the appointment of John Castellani to the Board

The appointment of John Castellani followed the established and tested Hikma process, which is summarised above. Spencer Stuart, the search adviser, did not and does not have any further connection with the Company.

Board review

Skills and experience

The broad range of skills and experience of Board members has greatly assisted in the success of Hikma. In view of the current succession plans, the Nomination Committee undertakes an in-depth analysis of each role on the Board before considering new candidates. The Committee aims to preserve the Board's very broad spread of experience, which provides the necessary checks and balances for safeguarding the interests of the Group. While each Director possesses different skills, the Committee believes that all Directors at Hikma share the following important characteristics:

- Challenging yet consensual style
- Independence of mind and clarity of thought
- Significant experience at an executive management level
- International business exposure

Additionally, the Committee considers that across the Board as a whole and on the executive and non-executive teams it is important to ensure at least two members have significant experience in the following areas:

- Middle East and North Africa, particularly the business and political environment
- US pharmaceutical and regulatory environment
- Pharmaceutical manufacturing, quality and sales processes
- Business ethics and business integrity programmes
- Strategy and risk management
- UK and international listed environment
- Human resources and remuneration governance

For further information on the diverse skills and experience of our current Directors, please see the biographical details on pages 69 to 71.

Chairman and Chief Executive

The Committee and the Independent Non-Executive Directors keep under review the position of Chairman and Chief Executive and the governance safeguards that were implemented at the time of the combination of roles in May 2014 (a full rationale and process is included in the 2013 Annual Report on pages 63 to 64, a summary version is included in this report on pages 74 to 75). The Independent Non-Executive Directors met regularly during the year without management present and discussed, amongst other issues, the safeguards and functioning of the Board. The Independent Directors considered that the safeguards are effective and that the combined position continued to be appropriate, chiefly due to the nature of the relationship between the Chairman and the Senior Independent Director and the culture of considered and consensual approach that is evident throughout Hikma. The Committee noted the Independent Directors' position and concluded that the combined position continues to be appropriate.

Re-election

Each member of the Board will submit himself or herself for election or re-election (as appropriate) at the 2016 AGM. The positions of each Board member were considered in detail during the year as part of the review of succession arrangements, consideration of independence issues, the Board and Committee evaluation processes and the ongoing dialogue between the Chairman and the Senior Independent Director.

Governance

The Committee has undertaken full responsibility for governance matters for the Board. This includes the annual process of reviewing the procedures in the Board Governance Manual, the compliance with the UK Governance Code, the Group Internal Controls and considering the governance agenda for the following year. The Committee also keeps abreast of governance developments throughout the year and makes adjustments in an orderly manner.

For and on behalf of the Nomination Committee

Robert Pickering
Nomination Committee Chair

15 March 2016

Case study – Jochen Gann induction

Following the acquisition of Roxane Laboratories, Boehringer Ingelheim ('BI') recommended the appointment of Dr Jochen Gann to the Board. This is his induction story...

Tailored
The induction programme was tailored to Dr Gann. Jochen has extensive experience in pharmaceutical operations, capital markets, mergers and acquisitions and finance. However, he had not previously been a director of a UK company or operated in a listed company environment. Therefore, the induction programme was tailored to these areas.

Briefing
In order that a potential director fully understands the duties and responsibilities that are being undertaken, all directors receive an induction briefing in advance of a formal proposal being made to the Board. Jochen's briefing was undertaken by the Company Secretary during a seven hour meeting at the BI facilities in Ingelheim. All briefing papers were made available in advance and requests for additional information were met immediately afterwards.

Structure
The induction briefing was structured into four key areas:

Director duties and UK law
The legal framework of the UK is substantially different from that of Germany. Accordingly, the concepts around duties of directors and the nature of the legal entity legislation and regulation in the UK were explained.

Listing rules and governance
BI are a very large, but privately owned entity. Therefore, the additional obligations contained in the listing, disclosure and transparency and related rules were explained, particularly in relation to the UK governance code, inside information, dealing in shares and disclosures to the market.

Class 1 circular
The Roxane acquisition involved a class 1 circular. As a potential director being considered as part of the acquisition, Jochen incurred the same responsibilities as the existing directors in the circular. Accordingly, those responsibilities and the governance and verification processes were fully explained.

Board procedures
The internal Board Governance Procedures for the operation of the Board, Committees and administration of Directors were explained, including formalities regarding the appointment process, announcements and associated documentation.

Letter from the Chair

Commitment to integrity and human dignity

"Samih Darwazah fundamentally wanted to make the world a better place through the advancement of people."

Dear Shareholder

I am pleased to report that the Compliance, Responsibility and Ethics Committee (CREC) has continued to drive the Company's commitment to business integrity and human dignity and that Hikma's people remain steadfast in their adherence to those ideals. We are delivering on the vision of the late Samih Darwazah, the founder of Hikma, who fundamentally wanted to make the world a better place through the advancement of people.

Corruption is a worldwide issue that negatively impacts many for the benefit of a few. It is extremely important to the Committee and the Company that we take the necessary steps to prevent corruption in our business and curtail it in the societies in which we operate. In support of this objective, I am pleased to report that the Anti-Bribery and anti-Corruption (ABC) compliance programme has gone from strength to strength. Waleed Hamam, our Chief Compliance Officer, has quickly settled into the role, taken the reigns and advanced the agenda. The CREC has been particularly impressed with the compliance department's involvement in international ABC initiatives and significant progress made in implementing ABC policies, which was evidenced by an independent re-assessment of our ABC programme.

The CREC has a long established relationship with the Corporate Responsibility (CR) Committee, which oversees the Company's work on charitable and humanitarian issues, environmental initiatives, community involvement and societal development. We take significant pride in putting back into the communities in which we operate and building on Samih's commitment to the advancement of people. The programme continues to perform excellently and we are very proud of our achievements in this regard.

The CREC fully supports the initiatives to prevent human trafficking and anti-slavery, acts which are an antithesis to our desire to promote the advancement of people and respect for human dignity. Over the course of the next year the CREC will be focusing on furthering the human dignity programme both in and outside Hikma.

As an organisation Hikma is committed to clear and open communication. I remain open to discussion with shareholders should there be any concerns that they wish to raise directly.

Ronald Goode
Chair of the Compliance, Responsibility and Ethics Committee

2015 Overview

2015 Highlights

- Enhanced our UN Global Compact commitment through participation in their anti-corruption programme
- Continued to promote business integrity internationally through the Partnering Against Corruption Initiative
- Completed and tested the implementation of ABC procedures in all MENA countries
- Undertook an independent re-assessment of ABC risk and verified procedural implementation
- Further increased ABC resource and enhanced the departmental structure
- Completed ABC, Code of Conduct and legal and regulatory environment training for the entire US sales team
- Initiated a human dignity programme
- Continued support for the CR programme

Calendar of events

Q1

- ABC & CR update
- Shareholder report

Q2

- Instructed risk re-assessment
- ABC update

Q3

- ABC risk re-assessment progress review

Q4

- Re-assessment report
- Human dignity
- ABC & CR update

Advisers

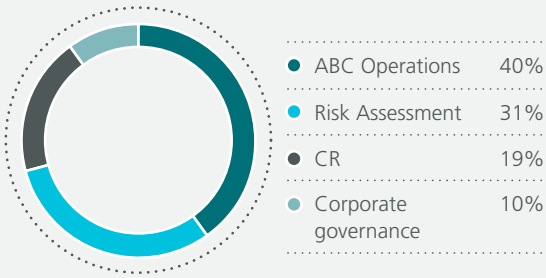
Internal	External
• Chief Compliance Officer	• Good Corporation
• VP for Corporate Communication	• E&Y
• Company Secretary	
• General Counsel	

Membership and attendance

The Compliance, Responsibility and Ethics Committee (CREC) consists of six members. Five are Independent Non-Executive Directors: Ronald Goode (Committee Chair), Breffni Byrne, Pat Butler, Dr Pamela Kirby and John Castellani. The sixth member is the Executive Vice Chairman, Mazen Darwazah. The CREC met five times during the year, and full attendance was achieved. As the CREC is not a committee mandated by the Code, its membership is not subject to published requirements. However, Hikma believes that the requisite challenge to operational effectiveness is achieved by having an Independent Non-Executive Director membership majority. The Chairmanship of the CREC is held by an Independent Non-Executive Director, Ronald Goode, and the Chair of the Audit Committee is a standing member. Within the Company, the Executive Vice Chairman champions Hikma's anti-bribery and corruption (ABC), corporate responsibility (CR) and human dignity programmes.

Members	Member since	Attended	Potential	Meeting attendance
Ronald Goode (Chair)	1 Nov 2010	5	5	100%
Breffni Byrne	1 Nov 2010	5	5	100%
Pat Butler	1 Apr 2014	5	5	100%
Dr Pamela Kirby	1 Dec 2014	5	5	100%
Mazen Darwazah	1 Nov 2010	5	5	100%
John Castellani	1 Mar 2016	–	–	–
Total meetings			**5**	**100%**

Allocation of time



Responsibilities

The CREC sets the overall strategy for the Group's response to bribery and corruption risks and is responsible for approving the contents of all of Hikma's policies in areas where ethical judgements are important. The CREC oversees the Group's ABC compliance programme, policies on ethics and business conduct and the development of the Code of Conduct (the 'Code'). The CREC also oversees Hikma's speak-up process for employees to raise ethical concerns, and, where relevant, oversees their investigation. The CREC reviews and monitors policy in the area of CR at Board level. The CREC's terms of reference are reviewed by the Board on an annual basis, are published on the Hikma website and are available for inspection at the registered office at 13 Hanover Square, London, W1S 1HW or by contacting cosec@hikma.uk.com.

Anti-Bribery and anti-Corruption (ABC)

Top level commitment, from the beginning

Since its foundation Hikma has and continues to be committed to the highest standards of integrity and ethics in the conduct of its business. Hikma has communicated its zero tolerance of bribery and corruption to its employees and made sure that they are aware that Hikma will not penalise any individual for complying with the principles enshrined in the Code or in the ABC policies, even at the cost of forgoing a business opportunity, losing revenue or profit or disobeying a superior's instructions. Hikma disciplines staff for any ethical breaches of its standards of integrity.

Hikma is a founding member of the World Economic Forum's Partnering Against Corruption Initiative (PACI), the leading business driven global anti-corruption initiative which was formed in 2004 by a group of Chief Executives from different industries. PACI is one of the Forum's strongest cross-industry collaborative efforts and is creating a highly visible, agenda-setting platform by working with business leaders, international organisations and governments to address corruption, transparency and emerging-market risks. Under the leadership of PACI Vanguard Chief Executives, the community is expanding rapidly and now focuses on implementing a global anti-corruption agenda.

Strategy and resources

During the year, the compliance department continued to implement the medium-term global strategy for the delivery of the commitment to business integrity and ABC which was approved in 2014. Hikma has a framework that sets out the structure of leadership, delegated authority and ownership for the ABC compliance programme. Operational responsibility and oversight for ABC is assigned by the Board to the Executive Vice Chairman, who then delegates responsibility to his management team. The Chief Compliance Officer (CCO) reports directly to the CREC on ABC matters. The CCO's leadership of ABC issues is overseen by the CREC Chair and the Executive Vice Chairman. The head of each business division has taken responsibility to be the compliance champion for their division:

- Mazen Darwazah (Branded)
- Riad Mechlaoui (Injectables)
- Michael Raya (US and Generics)

The CCO is supported by Group and regional compliance officers at the operational level. The legal, financial and company secretarial departments also advise and provide implementation support to the compliance department. During 2015, the compliance department continued to expand regional resource.

Case study – ABC risk re-assessment

As the CREC started its fifth year, it wanted to assess progress with the prime driver for the founding of the Committee, Anti-Bribery and anti-Corruption (ABC). This is the story...

Rationale

The CREC started a formal ABC compliance programme from the ground upwards in 2010. Since then, the Committee has instructed a full assessment of ABC risk, created the policies and procedures and compliance department and promoted the Company's founding commitment to business integrity. The Committee wanted to measure the progress made and consider where to go next on its journey.

Independence

The CREC requested that the Company Secretary lead the re-assessment exercise. Additionally, the Committee appointed Good Corporation because of their commitment to eradicating corruption, high standards of integrity and to ensure that there was an accurate measure of progress by using the same supplier. Good Corporation reported to the Company Secretary on an operational basis and directly to the CREC for reporting.

Site selection

The CREC reviewed the previous assessment results and considered the relative size and risk of each major site in order to ascertain where to focus the attention of the exercise. The conclusion from this process was that the assessment should include the Company's corporate centre and facilities in Jordan, operations in Egypt and the Kingdom of Saudi Arabia (KSA) and the entire US business.

Process

The regional compliance officer for each site was responsible for delivering the requirements of Good Corporation in terms of: procedures, reports and supporting information; meetings with the entire senior management team and all functional areas; and a random sample of employees, third parties and suppliers. Three Good Corporation personnel made a four day assessment of each site. At the conclusion of each assessment a presentation was made to the senior team, Chief Compliance Officer and regional officer, highlighting the areas where significant progress had been made and establishing a road map for the future. During the process the Chairman of the CREC received regular updates both from the Company Secretary and Good Corporation.

Results

At the conclusion of the Jordan, Egypt and KSA assessments, Good Corporation moderated the results across each site in order to ensure consistency of measurement. Good Corporation presented a composite analysis to the Committee Chairman and compliance function over a one day session. The overall results were presented to the CREC and demonstrated that: 'Considerable progress has been made in establishing and embedding anti-bribery and corruption safeguards since Good Corporation's previous assessment in 2011'.

Next steps

The compliance department are integrating the results of the exercise and areas for improvement into their medium-term strategy, which will be presented to the CREC during 2016. Due to the significant increase in scale and complexity of the US business following the Roxane acquisition that closed in the first quarter of 2016, the CREC considered it would be appropriate to undertake the US assessment following closing.

Policies and procedures
Hikma undertook a full ABC risk assessment during 2011, which led to the development of a full set of ABC policies during 2012. During 2013, these policies were fully reviewed and developed by external advisers and internal management. The final policies were approved by the CREC in late 2013. During 2014, the compliance strategy established the plan for the implementation of those policies and work commenced on local implementation in the MENA, EU and US. The CREC is pleased to confirm that last year's target was met, and the implementation of the ABC policies was substantially complete by the end of 2015.

Training
Hikma's policies have been developed in conjunction with its ongoing focus on education and dissemination of ABC compliance information across the business. Hikma's employee induction programmes ensure that each new employee can clearly understand the Group's ethical expectations. In addition, increasing awareness has been built within the business for the processes and issues of ABC compliance, with awareness sessions given to functional and geographical teams across the Group.

Responsibility and ethics

Code of Conduct
The CREC is responsible for the Group Code of Conduct, which is reviewed and compared to comparable international companies regularly. The Code has been translated into the major functional languages of Hikma: Arabic, English, French, German, Portuguese, Italian and Russian. Each year all Hikma employees are required to confirm that they have read the Code, have understood it and will abide by its terms. The training plan for the Code includes face-to-face training for top managers, and training and discussion sessions at department level for employees and lower management. The Code is available on our website: www.hikma.com/en/corporate-responsibility/code-of-conduct.

Human dignity
The Board of Hikma has resolved that it will not accept any involvement of its people, suppliers or business partners in any practices that constitute a breach of fundamental human rights, including human trafficking, child labour and slavery. Hikma was founded on the principle of promoting the advancement of people and has been a member of the UN Global Compact since 2007. The Compact embraces, supports and enacts universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Over the course of 2016 the CREC will be overseeing the development of Hikma's initiatives which support this commitment.

Speak-up
Hikma has an open-door policy regarding communication so that it can hear from those who have any questions or concerns about the ethics and integrity of the business. Where employees believe that it is not possible or appropriate to report to line management, they may make reports confidentially to any senior manager within the business. Additionally, Hikma has anonymous web and telephone reporting lines in place across all operations, which report directly to the compliance department and the CREC. As part of their commitment to the Code, employees understand that they have a duty to report any suspected violations. The Company remains satisfied that the policy and procedures enable proportionate and independent investigation of matters raised including non-compliance and that appropriate follow-up action is taken.

Corporate responsibility

The Executive Vice Chairman is the champion of Hikma's CR programme within the Company and is Chairman of Hikma's CR Committee. The VP of Corporate Communication is responsible for CR at an operational level. The CR Committee reviews, supports and promotes Hikma's CR activities and reports directly to the VP of Corporate Communication. The CR team, led by the VP of Corporate Communication, regularly presents developments to the CREC which, during the year under review, included:

- Achieving ISO 50001 certification for environmental practices and energy management
- Fully implementing our GHG (Greenhouse Gas emissions) disclosure
- Completing phase two of roll out of sustainability software
- Successfully passing third party inspection of our CDP (Carbon Disclosure Project)
- Benchmarking Hikma's CR activities against those of comparable companies

Further details are available in the Sustainability report on pages 38 to 51.

For and on behalf of the Compliance, Responsibility and Ethics Committee

Ronald Goode
CREC Chair

15 March 2016

Remuneration report
Letter from the Chair

Aligning remuneration to Group success

"The journey over the last few years has built more systems and processes to support, but not deviate from, that vision of family."

Dear Shareholders

This is my final letter to you as Chair of the Remuneration Committee. Over the past year I have spent a significant amount of time with Dr Pamela Kirby who will be taking the Chair from the AGM. She is very experienced in remuneration matters and is now fully inducted into Hikma. I wish her every success in taking the Committee forward.

Looking back over my tenure, I am delighted with the progress that has been made from the listing of a private company in 2005 to joining the FTSE 100 in early 2015. This has been a period of immense development and growth, particularly in terms of our remuneration policy, human resources practices and our people strategy. Hikma has always treated its people as members of a family, providing the important elements of stability and an environment in which people can flourish. The journey over the last few years has built more systems and processes to support, but not deviate from, that vision of family. I feel privileged to have been on that journey.

Over the past few years we have undertaken significant work to develop our remuneration policy to ensure it is fit for purpose for a global FTSE 100 enterprise and supports the entrepreneurial and acquisitive strategy of the Group. This has resulted in significant change and I would like to thank all of our shareholders for their support. Having completed that programme, this year has been one of minimal change in remuneration practice, largely focusing on embedding the policies that we have.

Performance remuneration remains a very important part of the way that we incentivise and motivate all our employees. It builds on our philosophy of providing a salary to ensure stability, but for the growth of our people and our Company we have to provide the opportunities to excel and recognise where that occurs.

I would like to add a personal note of thanks to Marcus Peaker of PwC. His well-considered, practical and measured approach has been a steady guide during my time in the chair. Sadly, as PwC become our auditor in 2016, we must say good bye to Marcus. We have conducted a review of remuneration advisers and I am pleased to welcome Willis Towers Watson to the team.

As an organisation, Hikma is committed to clear and open communication. I have always been available to shareholders to raise matters directly and I remain open to discussion with shareholders should there be any matters that they wish to raise directly.

Michael Ashton
Chair of the Remuneration Committee

2015 Overview

Our highlights

- Identified and inducted a new Committee Chair – Dr Pamela Kirby
- Undertook a search for a new remuneration adviser, following the appointment of PwC as our auditors
- Reviewed and enhanced the performance criteria for the Executive Incentive Plan
- Reviewed executive contractual and notice arrangements
- Maintained our remuneration policy position
- Benchmarked Executive Director, Non-Executive and senior management compensation
- Further developed advice and guidance regarding remuneration below Board level
- Considered developments in the business and governance arena
- Acted as a sounding board for significant projects undertaken by the Human Resources department

Calendar of events

Q1

- Executive performance
- Executive remuneration
- EIP award
- Remuneration report
- Committee evaluation

Q2

- Human resources update
- MIP award
- Governance

Q3

- HR strategy
- Governance

Q4

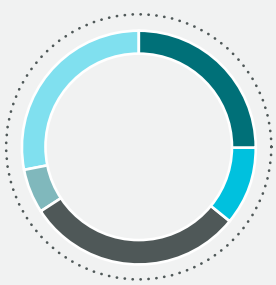
- Executive benchmarking
- Adviser performance
- Adviser tender exercise
- Executive contracts

Membership and attendance

The Remuneration Committee consists of six Independent Non-Executive Directors, with an Independent Non-Executive Director holding the chairmanship of the Committee. All members of the Committee have held positions at the highest levels in multinational organisations and hence have experienced business and resource issues at all levels. The members have spent a significant proportion of their careers leading teams and in executive management. The members understand the need to incentivise top management appropriately, while ensuring that rewards are fair throughout all levels of Hikma's business.

Members	Member since	Attended	Potential	Meeting attendance
Michael Ashton (Chair)	14 Oct 2005	6	6	100%
Breffni Byrne	14 Oct 2005	6	6	100%
Ronald Goode	12 Dec 2006	6	6	100%
Dr Pamela Kirby (Chair designate)	1 Dec 2014	5	6	83%
Robert Pickering	1 Mar 2014	6	6	100%
John Castellani	1 Mar 2016	–	–	–
Total meetings			**6**	**97%**

Allocation of time



- Setting executive remuneration 25%
- Remuneration policy 11%
- Conditions in the Group 30%
- Developing practices 6%
- Corporate Governance 28%

Advisers

Internal	External
• Chairman and Chief Executive	• Willis Towers Watson
• VP Human Resources	• PricewaterhouseCoopers
• Company Secretary	

Remuneration report – *Continued*

Remuneration and performance summary

References in this document to the 'Regulations' refer to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, with which this report complies.

Performance components

	2014		2015	Notes
Sales	$1,489m	-3%	**$1,440m**	- Exceptional product performance in 2014
Profit	$362m	-12%	**$318m**	- Profit Before Tax
Share price	1,979p	16%	**2,301p**	
Dividend	32 cents	0%	**32 cents**	- Includes special dividends in 2014
Employee compensation	$48,186	4%	**$50,354**	- Average per employee
Shareholder policy approval	92.50%		**N/A**	- Votes withheld have been discounted
Shareholder implementation approval	98.80%		**82.40%**	- Votes withheld have been discounted

Total remuneration

Executive Director	2014 ($000)		2015 ($000)		2016 ($000) (estimate)	Notes
Said Darwazah	5,056	45%	**7,316**	**-10%**	**6,600**	- Below policy position - Policy range $12.7m to $25.0m
Mazen Darwazah	3,573	25%	**4,465**	**-20%**	**3,572**	- Below policy position - Policy range $7.4m to $8.6m

Components

Salary	2014 ($000)		2015 ($000)		2016 ($000) (estimate)	Notes
Said Darwazah	842	43%	1,200	3%	1,236	- The average rise for salaries across the Group in 2016 was 3%
Mazen Darwazah	620	9%	676	3%	696	
Bonus						
Said Darwazah	2,106	39%	2,928	-37%	1,854	- Figures are elements A and C of the EIP. See pages 109 to 110 for further explanation - The 2016 estimate is based on target performance
Mazen Darwazah	1,550	6%	1,649	-37%	1,044	
Share awards						
Said Darwazah	2,086	51%	3,160	10%	3,480	- 2014 and 2015 figures represent LTIPs exercised during the year - 2016 is an estimation of the value of the LTIP to vest in that year, using 31 December 2015 vesting percentages, share prices and exchange rates
Mazen Darwazah	1,391	52%	2,117	-15%	1,808	
Pensions						
Said Darwazah	11	45%	16	6%	17	- Pension contributions are up to 10% of salary - Executives participate in the same pension plan as Jordanian employees, their country of employment
Mazen Darwazah	12	8%	13	0%	13	
Other benefits						
Said Darwazah	11	9%	12	8%	13	
Mazen Darwazah	0	0%	10	10%	11	

Non-Executive Directors' fees

Non-Executives	2014 ($000)		2015 ($000)		2016 ($000) (estimate)	Notes
Non-Executive Directors' average total fee	92.1	3%	95.1	1%	96.1	- Below policy position (policy range £246k to £347k) - Average Director's fee includes basic fee and Committee membership and Chair fees - Full breakdown of fees on page 112

Remuneration policy summary

The full remuneration policy can be found on pages 90 to 99 of the Annual Report 2013 which is available at www.hikma.com.

Effective period

The Directors' remuneration policy was approved at the 2014 AGM and will be effective until the 2017 AGM. It has not been adjusted during the year.

Core principles

The Remuneration Committee reviews Group remuneration policy on an annual basis to ensure it remains appropriate. The Committee aims to ensure that remuneration for the Executive Directors and senior management:

- Enhances the achievement of Hikma's strategic aims
- Takes account of employment conditions both inside and outside Hikma
- Aligns the interests of all employees, management and Directors with those of shareholders
- Takes account of Hikma's Corporate Social Responsibility programme, including environmental, social and governance issues
- Is aligned with Hikma's founding principle of Business Integrity

Factors affecting remuneration policy

Committee responsibilities

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, determining individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. The Board is responsible for implementing the recommendations and agreeing the remuneration packages of individual Directors. The Remuneration Committee is also responsible for making recommendations for the grants of awards under any employee share plans. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to his own terms and conditions of remuneration. Non-Executive Directors' fees are determined by the full Board.

Employment conditions

The Committee ensures that employees' remuneration across the Group is taken into consideration when reviewing executive remuneration policy. There is a balance to be achieved with disclosure, as this may give rise to ever greater remuneration increases across the whole of Hikma and reduce the ability to reward for superior performance and in line with market practice. The Committee reviews detailed internal data and is satisfied that the level of remuneration is proportionate across the HR grades.

The following table details the maximum performance remuneration available at each level in the Group:

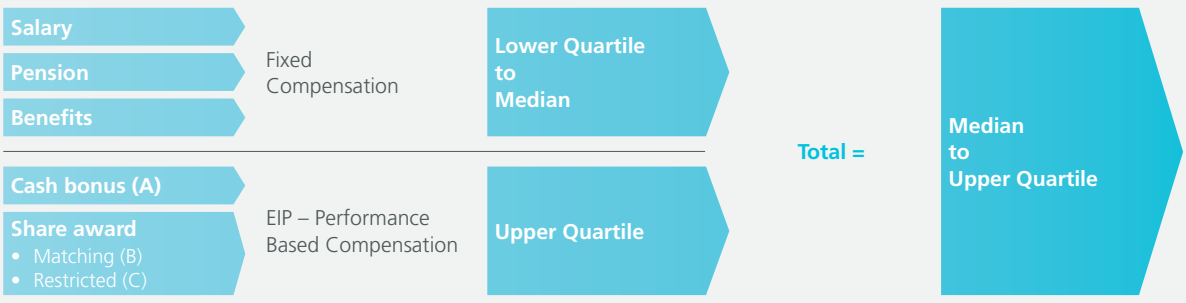
	Maximum award (% of salary)		
Position	Element A Cash bonus	Element B Deferred shares	Element C restricted shares
Executive Director	150	150	100
Executive Committee	100	100	100
Senior management	75	75	–
Management	50	50	–
Other employees	30	–	–

Discretion

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Remuneration policy for Executive Directors

Policy overview



- The maximum that can be paid to each Director is up to the median position for the Fixed Compensation elements and the Upper Quartile position for the Performance Based Compensation against the Comparator Group
- The Committee encourages executives to perform to the highest of their abilities through a strong bias on Performance Based Compensation
- The Committee benchmarks compensation against comparable companies (**Comparator Group**), which currently consists of:

Actavis*	Endo International	Pacira Pharmaceuticals
Actelion	Genus*	Perrigo
Akorn Pharmaceuticals	Impax Laboratories	Qiagen
Alexion Pharmaceuticals	Jazz Pharmaceuticals	Regeneron Pharmaceuticals
Alkermes	Lonza Group	Salix Pharmaceuticals*
Almirall	Medicines Company	UCB
Biogen Idec	Merck KGaA	United Therapeutics
Biomarin Pharmaceutical	Mylan	Vertex Pharmaceuticals
Celgene	Myriad Genetics	
Cubist Pharmaceuticals*	Novozymes	

*Acquired/merged during 2015.

- The Committee has within the policy the discretion to amend this Comparator Group, but did not do so during the year. The criteria taken into account when selecting the current Comparator Group included:
  - Type of pharmaceutical specialism
  - International nature of Hikma's operations
  - International nature of the executive team
  - Market capitalisation and turnover
  - Number of employees
  - Consolidation in the pharmaceutical industry affecting the number of comparable companies
  - UK listing environment
- The Committee is cognisant of the limitations of benchmarking. While it forms the upper limit of compensation, other factors are taken into account when determining awards and rises
- The Comparator Group is used to assess the Total Shareholder Return (**TSR**) of Hikma in relation to the performance target for the Long Term Incentive Plan (**LTIP**)

New UK Combined Code

The Committee is comfortable that its policy is in line with the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014). The following table sets out the key elements of the revised Code and how the Company's remuneration policy for Executive Directors is in line with the Code:

Code provision	Remuneration policy solution
Executive Directors' remuneration should be designed to promote the long-term success of the Company.	The EIP contains three Elements: - Element A is a cash based bonus - Element B provides a rolling deferral in shares for two years and an ongoing performance based risk adjustment - Element C provides shares subject to a three-year vesting period - 50% of shares earned under Elements B and C cannot be sold for five years from the date of award It is the Committee's view that the EIP provides a holistic approach to ensuring Executive Directors are focused on the long-term success of the Company.
Schemes should include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.	The EIP includes best practice malus and clawback provisions. The circumstances in which malus and clawback could apply are as follows: - Discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company - The assessment of any performance target or condition in respect of an award to be based on error, or inaccurate or misleading information - The discovery that any information used to determine the number of shares subject to an award was based on error, or inaccurate or misleading information - Action or conduct of an award holder which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct - Events or behaviour of an award holder have led to the censure of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant award holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to him Malus will apply up to the date of the determination of the award and clawback will apply for three years from the date of payment and the vesting of awards. The Committee is comfortable that the rules of the Plans provide sufficient powers to enforce malus and clawback if required.
For share-based remuneration, the Remuneration Committee should consider requiring Directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the Company, subject to the need to finance any costs of acquisition and associated tax liabilities.	The policy contains the following relevant features: - Minimum shareholding requirement of 300% of salary for the Executive Directors - Five-year period from award to sale for 50% of Elements B and C of the EIP which continues to apply following cessation of employment The Committee, therefore, believes that its policy is in line with best practice.

Policy implementation 2016

Comparator Group

With the exception of Actavis, Cubist Pharmaceuticals, Genus and Salix Pharmaceuticals which ceased to be independent companies, the Comparator Group is unchanged since the prior year.

Salaries

During 2015, the Committee undertook the annual benchmarking of executive packages. The Committee reviewed the data and concluded the executives should receive the same salary rise as the average employee of 3% for 2016.

	Salary		Increase
Executive Director	**2016**	2015	%
Chief Executive	**$1,236,000**	$1,200,000	3%
Vice Chairman	**$696,267**	$675,987	3%

Benefits and pension

No change from 2015.

Executive Incentive Plan (EIP)

During 2016, the EIP will be operated on the same basis as 2015, as described in the Annual Report on Remuneration on pages 110 and 115 to 117. The performance conditions and their weighting, which are unchanged, are set out below:

Performance condition	Weighting (% of maximum subject to performance condition)	Forfeiture percentage of element of award	Threshold percentage of element of award	Target percentage of element of award	Maximum percentage of element of award
Profit Before Tax	50%	0%	25%	50%	100%
Strategy	40%	0%	25%	50%	100%
Personal	10%	0%	25%	50%	100%
		+ lose 50% of outstanding Element B and C			

Remuneration report – *Continued*

For each performance condition the Committee has established measurement criteria which determine the level of reward that executives may receive:

Performance condition			Performance level			
Description	Measurement		Forfeiture	Threshold	Target	Max
Profit Before Tax	Budget		Budget –30%	Budget –10%	Budget	Budget +10%
- Generics division expansion - Strengthening and broadening our product portfolio - Maintaining high-quality and efficient manufacturing facilities to maximise profitability - Expanding partnerships - Consolidate MENA	Acquisition Product approvals Bedford transfer FDA approval for key facilities New strategic partnerships Strengthen within core markets Manage environmental factors		No strategic development	Some strategic targets met	Most strategic targets met	All strategic targets met
Personal - Developing a highly skilled, effective and diverse workforce	Employee satisfaction survey		No personal development	Some personal targets met	Most personal targets met	All personal targets met
Performance Remuneration Outcome	Total		0% award + lose 50% prior two years' shares	100% award	250% award	400% award
Outcome breakdown	Element A		0%	25%	100%	150%
	Element B		0%	25%	100%	150%
	Element C		0%	50%	50%	100%

The Remuneration Committee is of the opinion that given the commercial sensitivity of the detailed financial, operational and strategic targets used for the EIP, disclosing precise targets for the EIP in advance would not be in shareholders' interests. This avoids the risk of the Company inadvertently giving international competitors an unfair advantage because they are not required to report to the same disclosure standard as a UK listed company. Actual targets, performance achieved and awards made are published at the end of the performance period in order that shareholders can fully assess the basis for any pay-outs under the EIP.

Illustration of policy

The following charts show the value of each of the main elements of the compensation package provided to the Executive Directors during 2015 and the potential available for 2016 (dependent upon performance).

Said Darwazah

		Fixed $000	Bonus $000	Share award $000	Total $000	Policy position $000
2016	Threshold	1,265/51%	927/37%	309/12%	2,501	12,736 to 25,029
	Target	1,265/29%	1,854/43%	1,236/28%	4,355	
	Maximum	1,265/20%	3,090/50%	1,854/30%	6,209	
2015	Actual	1,228/21%	2,928/49%	1,764/30%	5,920	7,414 to 12,594

Mazen Darwazah

		Fixed $000	Bonus $000	Share award $000	Total $000	Policy position $000
2016	Threshold	720/51%	522/37%	174/12%	1,416	7,387 to 8,564
	Target	720/29%	1,044/42%	696/28%	2,461	
	Maximum	720/21%	1,741/50%	1,044/30%	3,505	
2015	Actual	699/21%	1,649/49%	994/30%	3,342	2,857 to 4,584

The following notes are applicable to the above calculations:

- Salary, benefits and pension comprise 'Fixed' remuneration
- Elements A and C of the EIP comprise the Bonus and Element B comprises the share award. Elements A, B and C of the EIP are made in the year after the performance is achieved (i.e. for the 2016 illustration, awards will be made in 2017 and Elements B and C vest in 2019 and 2020, respectively). Please note that the Remuneration and performance summary on page 105 uses share awards vesting (i.e. actual shares received, not those granted) during the period.

Non-Executive fees

The Board has determined that the basic fees for the Non-Executive Directors will be increased by 3% in line with the general salary rises for employees in the Group. The Committee membership and chairmanship fees are unchanged.

	2016				2015			
Non-Executive Director	**Total fee £000**	**Basic fee £000**	**Chairmanship fee £000**	**Committee fee £000**	Total fee £000	Basic fee £000	Chairmanship fee £000	Committee fee £000
Robert Pickering*	**101.0**	**85.0**	**8.0**	**8.0**	98.5	82.5	8.0	8.0
Pat Butler*	**109.0**	**85.0**	**16.0**	**8.0**	106.5	82.5	16.0	8.0
Michael Ashton	**101.0**	**85.0**	**8.0**	**8.0**	98.5	82.5	8.0	8.0
Ronald Goode	**101.0**	**85.0**	**8.0**	**8.0**	98.5	82.5	8.0	8.0
Dr Pamela Kirby*	**101.0**	**85.0**	**8.0**	**8.0**	90.5	82.5	–	8.0
Breffni Byrne*	**93.0**	**85.0**	**–**	**8.0**	106.5	82.5	16.0	8.0
Ali Al-Husry	**85.0**	**85.0**	**–**	**–**	82.5	82.5	–	–
Jochen Gann*	**85.0**	**85.0**	**–**	**–**	–	–	–	–
John Castellani*	**93.0**	**85.0**	**–**	**8.0**	–	–	–	–

* 2015 or 2016 fees have been pro-rated for time served in the relevant position.

Advice and support

PricewaterhouseCoopers LLP (PwC) have provided independent advice to the Remuneration Committee since the listing of Hikma and during the year under review. PwC have also supported Hikma's Corporate HR department, particularly in the delivery of reward and human resources strategy, and provided certain taxation advice. The total fees for advice to the Committee during the year were $138k (2014: $90k).

PwC adheres to the Remuneration Consultants Group Code of Conduct, which provides a clear framework for our relationship with our advisers while setting high professional standards. The Committee reviewed the performance of PwC during the year and the fees received. The Committee concluded that PwC remained independent and continued to provide high-quality service to the Committee.

During 2015, the Company undertook an audit tender process that led the Board to recommend the appointment of PwC as auditors with effect from 12 May 2016. The Board requires the auditors to minimise non-audit services and noted that remuneration services are prohibited under legislation that is to come into force. Therefore, PwC would not be able to provide advice to the Committee once they became auditors. Accordingly, Michael Ashton (Chair) and Dr Pamela Kirby (Chair designate) led a tender process for remuneration advice. The conclusion of this process was that Willis Towers Watson should be appointed to conduct remuneration advice going forward. The Committee thanks PwC for their commitment and diligence and welcomed Willis Towers Watson to Hikma.

The Committee seeks the assistance of senior management on matters relating to policy performance and remuneration and maintains a strong link with management to ensure that its deliberations are fully informed. The Committee ensures that no Director, executive or employee takes part in discussions or advice relating to his own remuneration or benefits.

Shareholder approval

The Committee actively seeks the engagement of shareholders in the setting of remuneration policy and practice. The voting patterns are included in the table below. For ease of understanding, the percentages below have been divided into votes 'For', 'Against' and 'Votes withheld'. Under the Companies Act 'Votes withheld' are not a valid vote and, therefore, are discounted when considering approval at a general meeting:

Resolution	For	Against	Withheld	Votes cast	Votes available
2015 Policy	78.5%	16.8%	4.7%	154,826,722	198,880,939
2014 Policy	90.8%	7.4%	1.7%	161,008,645	198,167,997
2014 Implementation	97.0%	1.2%	1.8%	161,008,645	198,167,997

Annual Report on Remuneration

For the year ended 31 December 2015, the Group's policy on remuneration was implemented as set out below.

Single total figure

The following table shows a single total figure of remuneration in respect of qualifying services for the 2015 financial year for each Executive Director, together with comparative figures for 2014.

								Policy verification
Director	Year	Salary $	Benefits $	Bonus $	LTIP $	Pension $	Other $	Total $	Policy range (see page 107) $
Said Darwazah	**2015**	**1,200,000**	**12,000**	**2,928,000**	**3,159,892**	**16,150**	**Nil**	**7,316,042**	**12,736,000 to 25,029,000**
	2014	842,265	11,000	2,105,663	2,085,993	11,335	Nil	5,056,255	5,870,000 to 7,316,000
Mazen Darwazah	**2015**	**675,987**	**10,000**	**1,649,409**	**2,117,454**	**12,535**	**Nil**	**4,465,386**	**7,387,000 to 8,564,000**
	2014	620,172	0	1,550,430	1,390,662	11,500	Nil	3,572,764	2,123,000 to 5,175,000

The information in the table above has been audited by Deloitte.

Salary

This is the basic annual salary paid monthly in arrears. Further details on future salaries are available on page 109.

Benefits

Hikma makes available the normal benefits in kind for executives of their level in a company of Hikma's size, such as company cars, healthcare and life insurance. The benefits received related to school fees.

Pension

This is a pension payment paid to the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (the 'Benefit Plan') on behalf of the Executive Directors on the same basis as other employees located in Jordan. The Executive Directors do not receive personal pension contributions from the Group. Under the Benefit Plan the Group matches employee contributions made, which are fixed at a maximum 5% of applicable salary. Participants are entitled to 30% of the Group's contributions to the Benefit Plan after three years of employment with the Group, and an additional 10% in each subsequent year. The participant's interest in the Group's contribution fully vests after ten years of employment. The Executive Directors have served for in excess of ten years and will receive their benefits under the scheme when they reach their 60th birthday.

Bonus

During 2015, Hikma operated a cash bonus plan with Element A of the EIP, which has a maximum award of 150% of salary, and a share based bonus under Element C of the EIP, which has a maximum award of 100% of salary. The EIP and awards made under it in respect of the 2015 performance year are described below.

Share awards

During 2014 and 2015, awards vested under the Long Term Incentive Plan (LTIP) which were granted in 2011 and 2012, respectively. The LTIP operated with a 300% of salary maximum, a three-year vesting period and performance conditions based on total shareholder return and financial metrics. Further details can be found in the 2012 report and accounts on pages 97 to 99 or on request from investors@hikma.com. In 2014, the LTIP was replaced with Element B of the EIP which has a maximum award of 150% of salary. The EIP and awards made under it in respect of the 2015 performance year are described further below.

LTIP

The LTIP amount included in the 2015 single total figure of remuneration is the conditional share award granted in 2012. The performance achieved against the performance targets is shown below.

Condition		Requirements		Practice	
Description	Weighting	Threshold	Maximum	Actual performance	Award vested % of maximum
TSR	50%	50th percentile 20% of award element	75th percentile 100% of award element	**86th percentile**	**100%**
Sales growth	17%	9% 20% of award element	13% 100% of award element	**17%**	**100%**
EPS growth	17%	15% 20% of award element	20% 100% of award element	**43%**	**100%**
Return on invested capital	17%	10% 20% of award element	12% 100% of award element	**20%**	**100%**

* TSR is total shareholder return comparative performance against the Company's Comparator Group.

The information in the table above has been audited by Deloitte.

Chairman and Chief Executive

		Financial performance		
Performance condition	TSR	Sales growth	EPS growth	Return on invested capital
Maximum number of shares capable of vesting	48,400	16,200	16,200	16,200
Percentage of maximum vesting	100%	100%	100%	100%
Number of vested shares	48,400	16,200	16,200	16,200
Value of vested shares*	£1,002,364	£335,502	£335,502	£335,502
Total value			**£2,008,870** **($3,159,892)**	

* Share price on vesting was £20.71 and there were $0.63574 to £1.

The information in the table above has been audited by Deloitte.

Vice Chairman

		Financial performance		
Performance condition	TSR	Sales growth	EPS growth	Return on invested capital
Maximum number of shares capable of vesting	32,600	10,800	10,800	10,800
Percentage of maximum vesting	100%	100%	100%	100%
Number of vested shares	32,600	10,800	10,800	10,800
Value of vested shares*	£675,146	£223,668	£223,668	£223,668
Total value			**£1,346,150** **($2,117,454)**	

* Share price on vesting was £20.71 and there were $0.63574 to £1.

The information in the table above has been audited by Deloitte.

Executive Incentive Plan

The EIP was approved by shareholders at the 2014 AGM and is the sole incentive arrangement for Executive Directors. The EIP is composed of three elements:

Element	Maximum award % of salary	Delivery mechanism	Point received	Risks after award	Additional requirements
A	150%	Cash bonus	Immediate	None	None
B	150%	Deferred shares	2 years	- Forfeiture/clawback - Share price - Employed	50% of the total share award is subject to a holding period after vesting. These shares may not be sold until five years after grant.
C	100%	Restricted shares	3 years	- Forfeiture/clawback - Share price - Employed	

The level of award made under the EIP depends on the achievement of performance conditions:

- 50% Profit Before Tax
- 40% Strategic and Operational Targets (sub-conditions apply)
- 10% Personal Targets (sub-conditions apply)

The EIP has malus and clawback provisions on all Elements. In addition, there is a performance based threshold condition for Element B. In the event of any of the following situations occurring, the Remuneration Committee would reduce or cancel the awards under the EIP and/or existing shares awarded under the EIP:

- Hikma's financial statement or results being negatively restated
- A participant having deliberately misled management or the market regarding Hikma's performance
- A participant causing significant damage to Hikma
- A mistake in the calculation of the level of satisfaction of the performance targets
- A participant's actions amounting to serious misconduct

The following table sets out the performance conditions and targets for 2015 and their level of satisfaction:

Performance Condition		Required Levels			Achievement		Application	
Type	Basis of measurement	Threshold	Target	Max	Results	Achievement	Said % of salary	Mazen% of salary
Profit Before Tax								
PBT		$265m PBT	$294m PBT	$323m PBT	$318m PBT versus budget of $293m PBT – 109% of budget	Target – Max	191%	191%
Strategic and Operational								
Generics division expansion	Acquisition	Proposals reviewed and rejected	Significant proposal approved	Major proposal approved	Roxane acquisition moves Hikma from 20th to 6th in the US. Secured scarce, high-quality asset.	Max	60%	60%
Strengthening and broadening our product portfolio	Product approvals Bedford transfer	100 new product approvals	150 new product approvals	200 new product approvals	220 new product approvals at Hikma facilities. World class product pipeline acquired with Roxane	Max	30%	30%
Maintaining high-quality and efficient manufacturing facilities to maximise profitability	FDA approval for key facilities	Maintain quality base	Maintain and improve quality base	Significantly enhance quality and manufacturing base	Portugal facility re-approved. Roxane world class facility acquired. Existing FDA approved facilities maintained	Max	30%	30%
Expanding partnerships	New strategic partnerships	Enhance existing partnerships	1 major strategic partnership	2 major strategic partnerships	Vitabiotics relationship cemented in MENA. Boehringer relationship expanded to Roxane and further BD activity	Max	20%	20%
Consolidate MENA	Strengthen within core markets Manage environmental factors	Subjective, market knowledge based assessment by the Remuneration Committee			Opened Egyptian injectables market through EUP acquisition. Restructured Algerian operation to enhance efficiency	Max	20%	20%
Personal								
Developing a highly skilled, effective and diverse workforce	Employee satisfaction survey	Numerous internal metrics reviewed and considered under a subjective assessment by the Remuneration Committee			Implemented changes arising from employee satisfaction survey	Max	40%	40%
Total		**Acceptable**	**Good**	**Excellent**	**Close to Max**		**391%**	**391%**

In accordance with the EIP rules and based on the performance detailed in the table above, the following awards have been made in respect of the 2015 performance year:

Participant		Calculation			Receive		
Executive	EIP Element	Salary	Maximum potential (% of salary)	Achievement	Value of bonus/shares	Receive	Additional
Chairman and Chief Executive	A – Cash Bonus	$1,200,000	150%	147%	$1,764,000	Cash now (March 2016)	None
	B – Deferred Shares		150%	147%	$1,764,000	Shares in 2 years from May 2016	50% of total shares unsaleable until five years after grant
	C – Restricted Shares		100%	97%	$1,164,000	Shares in 3 years from May 2016	None
Vice Chairman	A – Cash Bonus	$675,987	150%	147%	$993,702	Cash now (March 2016)	None
	B – Deferred Shares		150%	147%	$993,702	Shares in 2 years from May 2016	50% of total shares unsaleable until five years after grant
	C – Restricted Shares		100%	97%	$655,708	Shares in 3 years from May 2016	None

The information in the table above has been audited by Deloitte.

Non-Executive Directors

The table below details the fees paid to Non-Executive Directors during the year under review and the prior year. Several Directors (marked *) joined, retired or changed roles during the periods and their fees have been pro-rated for time served in the relevant position:

Individual		2015				2014		
Non-Executive Director	Board position	**Fee (all elements) £,000**	**Taxable travel benefits £,000**	**Other expenses £,000**	**Total £,000**	Fee (all elements) £,000	Taxable travel benefits £,000	Total £,000
Robert Pickering*	Senior Independent Director	**98.5**	**–**	**–**	**98.5**	91.6	2.2	93.8
Patrick Butler*	Audit Committee Chair	**99.2**	**–**	**–**	**99.2**	58.3	–	58.3
Michael Ashton	Remuneration Committee Chair	**98.5**	**6.4**	**–**	**104.9**	95.0	8.1	103.1
Ronald Goode	CRE Committee Chair	**98.5**	**6.7**	**–**	**105.2**	95.0	7.6	102.6
Dr Pamela Kirby*	Remuneration Committee Chair Designate	**90.5**	**–**	**–**	**90.5**	7.3	–	7.3
Breffni Byrne*	Independent Director	**97.8**	**2.8**	**–**	**100.6**	102.5	4.3	106.8
Ali Al-Husry	Non-Executive Director	**82.5**	**–**	**–**	**82.5**	80.0	–	80.0
Jochen Gann*	Non-Executive Director	**–**	**–**	**–**	**–**	–	–	–
John Castellani*	Independent Director	**–**	**–**	**–**	**–**	–	–	–
Sir David Rowe-Ham*	Senior Independent Director (retired)	**–**	**–**	**–**	**–**	43.5	–	43.5
Samih Darwazah*	Chairman (retired)	**–**	**–**	**714.1**	**714.1**	91.7	–	91.7

The information in the table above has been audited by Deloitte.

'Taxable travel benefits' refers to certain accommodation expenses for Non-Executive Directors that are wholly related to their attendance at Board meetings and are in accordance with normal Hikma expense policy. These expenses are treated as a taxable benefit by the UK authorities and the above figure includes the corresponding tax contribution.

'Other expenses' refers to costs associated with Mr Samih Darwazah, the founder and Life President of Hikma, who died during the year. The Company paid certain medical, transport and accommodation expenses related to his treatment whilst ill and following his death held commemorative events. The expenses were paid in recognition of the high level of regard in which he was held and in acknowledgement of his unique contribution to the Company.

Payments to past Directors and for loss of office

There were no payments for loss of office during the financial year. There was one payment to a past Director which related to Mr Samih Darwazah and is disclosed in the 'Non-Executive Directors' table above.

Outstanding share awards

The Company operated the 2005 Long Term Incentive Plan (LTIP) from 2007 to 2014. Under the LTIP a grant of shares was made to Executive Directors each year which would be received three years following grant, subject to satisfaction of performance criteria based on Total Shareholder Return (TSR) and financial metrics. The table below details the performance against TSR and financial metrics and the resultant impact on vesting for each of the remaining grants. The operation of the LTIP is fully explained on page 98 of the Annual Report for the year ended 31 December 2013.

Share scheme	Equity performance	Financial performance			Vesting level
	TSR	Sales growth	EPS growth	ROIC	Total
2014 LTIP grant	50.0%	3.3%	16.7%	16.7%	86.7%
2013 LTIP grant	50.0%	0.0%	0.0%	16.7%	66.7%

The Company operated the 2014 EIP for the first time in 2015. The outstanding share awards under the EIP and LTIP in respect of each of the Executive Directors are:

Participant	Share scheme				Quantum			
Director	Scheme description	Type of interest	Date of award	Date of vesting	Basis of award	Shares (max)	Exercise price	Face value*
Said Darwazah	LTIP	Conditional award	16-May-13	16-May-16	187% salary	102,000	Nil	$2,319,531
	LTIP	Conditional award	16-May-14	16-May-17	200% salary	63,000	Nil	$1,861,630
	EIP Element B	Conditional award	15-May-15	15-May-17	150% salary	41,000	Nil	$1,398,681
	EIP Element C	Conditional award	15-May-15	15-May-18	100% salary	27,000	Nil	$921,082
Total						**233,000**	**(2014: 262,000)**	**$6,500,924**
Mazen Darwazah	LTIP	Conditional award	16-May-13	16-May-16	140% salary	53,000	Nil	$1,205,246
	LTIP	Conditional award	16-May-14	16-May-17	200% salary	46,000	Nil	$1,359,285
	EIP Element B	Conditional award	15-May-15	15-May-17	150% salary	30,000	Nil	$1,023,425
	EIP Element C	Conditional award	15-May-15	15-May-18	100% salary	20,000	Nil	$682,283
Total						**149,000**	**(2014: 164,000)**	**$4,270,240**

* The face value is calculated using the vesting percentages described earlier in this section and the share price of £23.01p and foreign exchange rates of $0.6745 to £1 on 31 December 2015. The actual value received by Executive Directors under the share incentive arrangements is dependent upon the share price of Hikma at the time of exercise, the satisfaction of performance criteria (LTIP) and the non-occurrence of forfeiture events (EIP element B).

The applicable share prices for Hikma during the period under review were:

Date	Market price (Closing price)
1 January 2015	1,979p
31 December 2015	2,301p
2015 Range (low to high)	1,886p to 2,574p
15 March 2016	1,721p

Dilution

On 29 February 2016, the Company issued 40,000,000 shares to Boehringer Ingelheim in consideration for the purchase of Roxane Laboratories. The issuance increased the issued share capital of the Company by circa 20% and resulted in a reduction to the overall dilution level resulting from the satisfaction of share awards.

In accordance with the guidelines set out by the Investment Association of British Insurers, Hikma can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans and a maximum of 5% of this 10% for discretionary share plans. The following table summarises the current level of dilution resulting from Company share plans following the Listing of Hikma in 2005:

Type of plan	Granted in a rolling ten-year period	Granted during the year
Discretionary Share Plans (5% Limit)	3.87%	0.32%

Equity position of the Directors & Executive Management

The Committee believes that its share ownership policy strongly links executive and shareholders' interests. All Executive Directors are required to build and maintain a minimum shareholding equal to three times base salary. The limits under and compliance with this policy are reviewed periodically by the Committee. The table below demonstrates that the target shareholdings as a percentage of salary were met in full by the Executive Directors.

Executive Director	Target	**Actual**	Requirement fulfilled?
Said Darwazah	300%	**38,200%**	Yes
Mazen Darwazah	300%	**37,300%**	Yes

Share ownership requirements also apply to Hikma executive management who are required to build and maintain a minimum shareholding equal to at least two times base salary. In certain cases the shareholding requirement has been increased in order to reflect local executive remuneration practice. Compliance with the shareholding requirement is measured annually at the time of this report. Executive management's shareholdings as a percentage of salary were:

Date	Requirement	Lowest	Highest	**Average**	Total shares	Requirement fulfilled?
31 December 2015	200%	0%	2,250%	**1,089%**	1,039,573	No
31 December 2014	200%	345%	2,255%	**1,128%**	1,020,961	Yes

Due to exceptional circumstances the Committee allowed one executive to sell their holding during the year. Shares vesting under any Hikma share scheme for that executive will be retained in a nominee facility which is managed by Hikma. The executive will receive dividends but will not be able to dispose of his/her shares until the requirement is met and then only to the extent of shares in excess of the requirement.

Director share interests

Said Darwazah, Mazen Darwazah and Ali Al-Husry are Directors and shareholders of Darhold Limited. Darhold holds 57,933,028 ordinary shares in Hikma. The table below breaks down their shareholdings in Hikma by shares effectively owned through Darhold and shares held personally or by connected persons. The cancellation and issuance of shares in Darhold and the purchase and disposal of shares in Hikma (by Darhold) can lead to a degree of variation in the 'Effective no. of Hikma shares'.

	Darhold		Personal	
Director	Interest in Darhold	Effective Hikma shares	Shares (inc connected people)	Total shareholding
Said Darwazah	21.49%	12,449,647	657,000	13,106,647
Mazen Darwazah	10.82%	6,267,496	907,041	7,174,537
Ali Al-Husry*	7.95%	4,607,635	1,162,811	5,770,446

* Ali Al-Husry holds his shares in Hikma and Darhold Limited through a vehicle called DYKB Limited.

The information in the table above has been audited by Deloitte.

The following table sets out details of the Directors' shareholdings and, where there are shareholding requirements, whether these have been met:

	Ownership requirements				
Director	Percentage of salary	Number of shares	Total shares owned	Conditional shares under the LTIP and EIP	Total share interests
Said Darwazah	300%	105,528	13,106,647	233,000	13,455,041
Mazen Darwazah	300%	59,446	7,174,537	149,000	7,382,983
Robert Pickering	–	–	7,500	–	7,500
Breffni Byrne	–	–	10,000	–	10,000
Michael Ashton	–	–	18,566	–	18,566
Ali Al-Husry*	–	–	5,770,446	–	5,770,446
Ronald Goode	–	–	10,000	–	10,000
Pat Butler	–	–	1,375	–	1,375
Dr Pamela Kirby	–	–	3,317	–	3,317
Jochen Gann	–	–	–	–	–
John Castellani	–	–	–	–	–

* Ali Al-Husry holds his shares in Hikma and Darhold Limited through a vehicle called DYKB Limited.

The information in the table above has been audited by Deloitte. The share price used to calculate whether the shareholding requirements have been met is the price on 31 December 2015 of £23.01p and foreign exchange rates of $0.6745 to £1 on the same date.

The following table sets out the changes in interests of Directors during the year under review and up to the date of this report. Directors not listed in the table did not change their share interests during the period.

Director	Date	Event	No. Shares
Dr Pamela Kirby	28 August 2015	Purchase of shares.	3,317
Mazen Darwazah	18 May 2015	Exercise of LTIP. Retained all shares.	65,000
Said Darwazah	18 May 2015	Exercise of LTIP. Retained all shares.	97,000

Scheme interests

The following table sets out details of the 'scheme interests' of the Directors. Element C of the EIP has been excluded from the table because it does not qualify as a 'scheme interest' (defined in the Regulations) due to the performance period being a single year. The LTIP and Element B of the EIP have been included because they have performance periods of three years and one year plus a two-year forfeiture condition, respectively:

	Type of interest		Performance measures		Vested but unexercised	Exercised during the year
Director	Shares	Share options	Yes	No		
Said Darwazah	–	233,000	206,000	27,000	–	97,000
Mazen Darwazah	–	149,000	129,000	20,000	–	65,000
Robert Pickering	–	–	–	–	–	–
Breffni Byrne	–	–	–	–	–	–
Michael Ashton	–	–	–	–	–	–
Ali Al-Husry	–	–	–	–	–	–
Ronald Goode	–	–	–	–	–	–
Pat Butler	–	–	–	–	–	–
Dr Pamela Kirby	–	–	–	–	–	–
Jochen Gann	–	–	–	–	–	–
John Castellani	–	–	–	–	–	–

Remuneration table

The following table sets out the total remuneration, including amounts vesting under short-term and long-term incentive plans, for each financial period in respect of the Directors holding the positions of Chief Executive and Vice Chairman.

Important note: The total figures for the financial years 2015 and 2014 are higher due to the change from a LTIP award subject to future performance to an EIP based on prior year performance. In accordance with the Regulations, the 2014 and 2015 totals include LTIPs vesting during the relevant period (which were granted three years before) and Element C of the EIP which was granted in respect of the relevant period. The Regulations require Element C to be treated as a cash bonus, although it is an award of shares that will not vest for three years after grant. The final LTIP awards vest in 2017, after which point the totals in the above table will include Element C only.

	Said Darwazah – Chairman & Chief Executive			Mazen Darwazah – Vice Chairman		
Year	Total	Bonus as % max	Share awards as % max	Total	Bonus as % max	Share awards as % max
2015	**$7,316,042**	**98%**	**98%**	**$4,465,386**	**98%**	**98%**
2014	$5,056,255	100%	70%	$3,572,764	100%	70%
2013	$3,956,836	100%	62%	$2,646,280	100%	47%
2012	$3,296,000	80%	50%	$2,114,000	80%	50%
2011	$2,629,000	80%	67%	$1,748,000	80%	67%
2010	$1,965,000	100%	49%	$1,296,000	100%	49%
2009	$1,183,000	37%	67%	$797,000	37%	67%

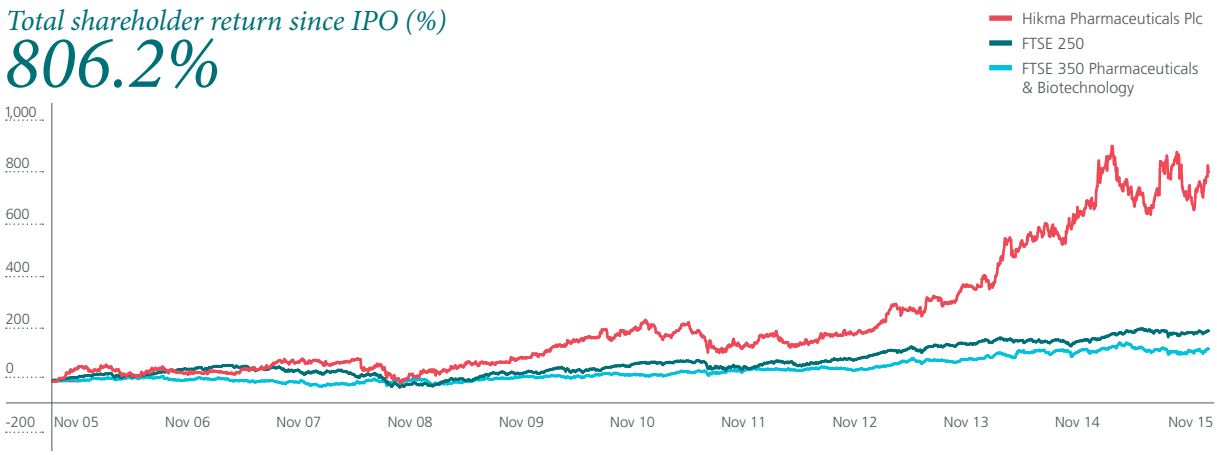
The information in the table above has been audited by Deloitte.

Performance graph

The graph below shows Hikma's performance, measured by Total Shareholder Return (TSR) compared to the FTSE 250 and FTSE 350 Pharmaceutical sector from 31 December 2005 to 31 December 2015.The Company has chosen these comparators because the Company is a constituent, the comparators are largely unaffected by foreign exchange changes and relevant data is readily available.

Total shareholder return since IPO (%)

806.2%



CEO and average employee change

The table below shows how the percentage change in the Chief Executive's (CEO) salary, benefits and bonus between 2014 and 2015 compares with the percentage change in the average of each of those components of pay for employees.

	Salary			Benefits			Bonus		
	2015	2014	Percentage increase	**2015**	2014	Percentage increase	**2015**	2014	Percentage increase
CEO	**$1,200,000**	$842,265	42.5%	**$12,000**	$11,000	9.1%	**$2,928,000**	$2,105,663	39.1%
Employees ($m)	**185**	178	3.9%	**362**	344	5.2%	**46.9**	47.1	-0.4%
Number of employees	**7,189**	7,139	0.7%	**7,189**	7,139	0.7%	**7,189**	7,139	-0.7%
Average per employee	**$25,734**	$24,933	3.2%	**$50,355**	$48,186	4.5%	**$6,524**	$6,598	-1.1%

The Group's pay review which took effect from 1 January 2015 awarded average percentage increases in wages and salaries of 3.9% for existing employees. The nature and level of benefits to employees in the year ended 31 December 2015 was broadly similar to that in the previous year. The total amount of bonuses paid to employees (excluding the Executive Directors) in respect of the year ended 31 December 2015 was 1.1% lower than in 2014.

Relative importance of spend on pay

The following table sets out the total amount spent in 2015 and 2014 on remuneration of the Group's employees and major distributions to shareholders.

Distribution expense	**2015**	2014	% increase from 2014 to 2015
Employee remuneration	**$362m**	$344m	5.2%
Distributions to shareholders	**$76m**	$55m	38.2%

Terms of appointment and service

Service contracts

The details of the service contracts of the Executive Directors of Hikma in force at the end of the year under review, which have not changed during the year, were:

Executive Director	Company notice period	Contract date	Unexpired term of contract	Potential termination payment
Said Darwazah	12 months	1 July 2007	Rolling contract	12 months' salary and benefits
Mazen Darwazah	12 months	25 May 2006	Rolling contract	12 months' salary and benefits

Letters of appointment

The Non-Executive Directors have letters of appointment with Hikma, not service contracts. Appointments are made for a period of 36 months.

Non-Executive Director	Date of appointment	Notice payment
Robert Pickering	1 September 2011	1 month
Michael Ashton	14 October 2005	1 month
Ali Al-Husry	14 October 2005	1 month
Breffni Byrne	14 October 2005	1 month
Ronald Goode	12 December 2006	1 month
Pat Butler	1 April 2014	1 month
Dr Pamela Kirby	1 December 2014	1 month
Jochen Gann	29 February 2016	1 month
John Castellani	1 March 2016	1 month

The Company requires all Directors be subject to annual election by shareholders.

External appointments

The Committee recognises that Executive Directors may be invited to take up non-executive directorships or public sector and not-for-profit appointments, and that these can broaden the experience, network and knowledge of the Director, from which Hikma can benefit. Executive Directors may accept external appointments as long as they do not lead to a conflict of interest and are allowed to retain any fees. During the year under review, Said Darwazah and Mazen Darwazah received fees of $10,000 (2014: $10,000) and $10,000 (2014: $10,000) respectively relating to external appointments which are detailed in their Director profiles on page 69. The process for controlling these appointments is described in the governance statement on page 78.

Closing statement

We have continued to develop our approach to remuneration reporting this year and the Committee hopes that this has aided your understanding of our remuneration policy and practices. Please do not hesitate to contact me if you have any questions or observations.

For and on behalf of the Remuneration Committee

Michael Ashton
Remuneration Committee Chair

15 March 2016

Report of the Directors to shareholders and stakeholders

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015. This report forms the management report for the purposes of the Disclosure and Transparency Rules. Readers are asked to cross refer to the other sections of the Annual Report to the extent necessary to meet Hikma's reporting obligations as follows (statements that are not applicable have been excluded):

- Long term incentive schemes: Directors' remuneration report, pages 118 and 119
- Related party transactions: Note 40 of the financial statements, page 177
- Going concern statement: Risk and control, page 61
- Names and biographical details of the Directors: corporate governance report, pages 69 to 71
- Independence of Non-Executive Directors: corporate governance report, page 75
- Directors' share interests: Directors' remuneration report, page 121
- Greenhouse Gas Emissions: Sustainability report, page 51
- Financial Instruments and Risk: Note 30 of the financial statements page 166 to 170

Financial

Principal activity

The principal activities of the Group are the development, manufacture and marketing of a broad range of generic and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. The Group's pharmaceutical operations are conducted through three business segments: Branded, Injectables and Generics. The majority of the Group's operations are in the MENA region, the US and Europe. The Group does not have overseas branches within the meaning of the Companies Act 2006.

The Group's net sales, gross profit and operating profit are shown by business segment in Note 4 to the consolidated financial statements on page 148. Hikma has not capitalised any interest payments.

Results

The Group's profit for the year in 2015 was $257 million (2014: $282 million).

Dividend

The Board is recommending a final dividend of 21 cents per share (approximately 14.6 pence) (2014: 21 cents including a special dividend). The proposed dividend will be paid on 19 May 2016 to shareholders on the register on 8 April 2016, subject to approval at the Annual General Meeting on 12 May 2016. An interim dividend of 11 cents per share was paid on 25 September 2015 (2014: 11 cents). The total dividend for the year 2015 is 32.0 cents per share (2014: 32.0 cents).

Creditor payment policy

Hikma's policy, which is also applied by the Group and will continue in respect of the 2016 financial year, is to settle terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of and abide by the terms of payment. Trade creditors of Hikma at 31 December 2015 were equivalent to 81 days' purchases (2014: 74 days), based on the average daily amount invoiced by suppliers during the year.

Donations

During the year the Group made charitable donations of approximately $1.8 million (2014: $2.0 million):

Type of donation	Amount donated in 2014 ($)	Amount donated in 2015 ($)
Local charities serving communities in which the Group operates	1,489,484	1,622,628
Medical (donations in kind)	518,189	127,399
Political	Nil	Nil
Total	2,007,673	1,750,027

Group policy prohibits the payment of political donations.

Research and development

The Group's investment in research and development (R&D) during 2015 represented 2.8% of Group revenue (2014: 3.7%). Additionally, the Group invested extensively in the purchase of certain products including the Roxane pipeline. Further details on the Group's R&D activities can be found on page 34.

Interest

The interest capitalised during the year under review was $0.3m (2014: $0.2m). The tax relief related to the capitalised interest was $0.1m (2014: $0.1m).

Significant contracts

Due to the nature of the Group's business, members of the Group are party to agreements that could alter or be terminated upon a change of control of the Group following a takeover. However, none of these agreements is individually deemed to be significant in terms of its potential impact on the business of the Group taken as a whole. The Directors are not aware of any agreements between Hikma and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

There are no persons, with whom Hikma has contractual or other arrangements, who are deemed to be essential to the business of Hikma.

Directors

It is the Board's policy that all Directors should retire and, should the Director wish to continue in office, seek re-election on an annual basis. Accordingly, Mr Said Darwazah, Mr Mazen Darwazah, Mr Robert Pickering, Mr Ali Al-Husry, Mr Michael Ashton, Dr Ronald Goode, Mr Pat Butler, Dr Pamela Kirby, Dr Jochen Gann and Mr John Castellani will retire at the Annual General Meeting. Mr Breffni Byrne will retire from the Board at the close of the AGM.

Auditors

Each person who was a Director of Hikma at the date when this report was approved confirms that:

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

Indemnities

The Directors benefit from qualifying third-party indemnities made by Hikma which were in force during the year and as at the date of this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

Employment

During this year, the Company continued to operate its existing employee engagement mechanisms which include intra-group communications, social networking, an open door policy for legitimate union representatives and the operation of share incentive arrangements. The Company does not discriminate against a potential employee on grounds of disability and will make reasonable adjustments to employ and develop such persons.

Equity

Capital structure

Details of the issued share capital, together with movements in the issued share capital during the year can be found in Note 33 to the financial statements. Hikma has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of Hikma. As at 31 December 2015:

Type	Nominal value	In issue	Issued during the year
Ordinary	10 pence	199,385,118	753,079

During 2015, Hikma issued ordinary shares solely pursuant to the exercise of options under the Stock Option Plan, 2005 Long Term Incentive Plan and 2009 Management Incentive Plan. On 29 February 2016, the Company issued 40,000,000 ordinary shares to Boehringer Ingelheim pursuant to the acquisition of Roxane Laboratories that was approved by shareholders on 19 February 2016.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of Hikma's Articles of Association (the 'Articles') and prevailing legislation. The Directors are not aware of any agreements between holders of Hikma's shares that may have resulted in restrictions on the transfer of securities or on voting rights. No person has any special rights with regard to the control of Hikma's share capital and all issued shares are fully paid. Hikma has not placed any shares into treasury during the period under review.

Share buy back

At the Annual General Meeting on 14 May 2015, shareholders gave the Directors authority to purchase shares from the market up to an amount equal to 10% of Hikma's issued share capital at that time. This authority expires at the earlier of 30 June 2016 or the 2016 Annual General Meeting, which is scheduled for 12 May 2016. The Directors have not used this authority during the year, but are proposing to renew this authority at the 2016 Annual General Meeting. Additionally, at the Extraordinary General Meeting held on 19 February 2016, shareholders gave the Directors authority to re-purchase shares from Boehringer Ingelheim that were issued in respect of the Roxane acquisition.

Share issuance

At the Annual General Meeting on 14 May 2015, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £6,629,331, and to be empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £1,988,799, at any time up to the earlier of the date of the 2016 Annual General Meeting or 30 June 2016. The Directors propose to renew these authorities at the 2016 Annual General Meeting for a further year. In the year ahead, other than in respect of Hikma's obligations to satisfy rights granted to employees under its various share-based incentive arrangements, the Directors have no present intention of issuing any share capital of Hikma.

Details of the employee share schemes are set out in Note 38 to the financial statements. Shares are also held by the Hikma Pharmaceuticals Employee Benefit Trust (EBT) and are detailed in Note 35 to the financial statements. The EBT has waived its right to vote on the shares it holds and also to its entitlement to a dividend. No other shareholder has waived the right to a dividend.

Annual General Meeting

The Annual General Meeting of Hikma will be held at The Westbury, Bond Street, Mayfair, London W1S 2YF on Thursday, 12 May 2016, starting at 11.00 a.m. The Notice convening the meeting is given in a separate document accompanying this document, and includes a commentary on the business of the AGM, and notes to help shareholders exercise their rights at the meeting.

The Company provides for the vote on each resolution to be by poll rather than by show of hands. This provides for greater transparency and allows the votes of all shareholders to be counted, including those cast by proxy. The level of proxies lodged for each resolution is projected onto a screen as each resolution is put to the meeting. A 'vote withheld' explanation is included on the proxy cards.

The powers of the Directors are determined by the Articles, the Code and other relevant UK legislation. The Articles give the Directors the power to appoint and remove Directors. The power to issue and allot shares contained in the Articles is subject to shareholder approval at each Annual General Meeting. The Articles, which are available on the website, may only be amended by special resolution of the shareholders.

Substantial shareholdings

As at the date of this document, Hikma had been notified pursuant to sections 89A to 89L of the Financial Services and Markets Act 2000 and Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following interests in the voting rights attaching to the share capital of Hikma:

Name of shareholder	Number of shares	Percentage held
Darhold Limited[1]	57,933,028	24.2%
Boehringer Ingelheim GmbH[2]	40,000,000	16.7%
Capital Group International	15,899,676	6.6%
Fidelity International	9,791,950	4.1%

1 Messrs Said Darwazah, Mazen Darwazah and Ali Al-Husry, each being a director and shareholder of Hikma, are shareholders and non-executive directors of Darhold Limited. See page 121 for details of their holdings in Darhold Limited.

2 Dr Jochen Gann is a Director of Hikma and a senior executive of Boehringer Ingelheim GmbH.

Controlling shareholder

During 2014, the Listing Rules were amended to introduce additional requirements for companies with controlling shareholders. Darhold Limited and the Concert Party (as detailed in the 2015 Notice of Annual General Meeting) were a controlling shareholder of Hikma during 2015. Since the year end, Darhold Limited and the Concert Party ceased to be a controlling shareholder.

Pre-emptive issue of shares

During the year under review, and in the period since the date of Hikma's Initial Public Offering on 1 November 2005, Hikma did not issue any ordinary shares pursuant to an authority given by shareholders at an Annual General Meeting to issue ordinary shares for cash on a non pre-emptive basis, other than in respect of the placing undertaken on 17 January 2008.

Takeover panel – Rule 9

	EIP granted 15 May 2015	MIP granted 14 May 2015
Said Darwazah	68,000	–
Mazen Darwazah	50,000	–
May Darwazah Murad	–	282
Hana Darwazah Ramadan	3,557	–
Tareq Darwazah	–	1,117
Zeena Murad	–	931

At the Annual General Meeting held on 14 May 2015, a vote of the independent shareholders of Hikma approved the award of up to an aggregate of 128,000 ordinary shares pursuant to Hikma's 2014 Executive Incentive Plan to Said Darwazah, Mazen Darwazah and Hana Darwazah Ramadan (the 'EIP Holders') and 20,000 ordinary shares pursuant to the Management Incentive Plan to May Darwazah Murad, Zeena Murad, Tareq Darwazah and Walid Darwazah (the 'MIP Holders'). Because of the relationship of the EIP Holders and the MIP Holders with Darhold Limited, who at the time of the Annual General Meeting held 57,183,028 ordinary shares (at 7 April 2015 representing 28.75% of the issued share capital of Hikma, and as at 16 March 2016 being the latest practicable date prior to the publication of this document, holding 57,933,028 ordinary shares, representing 24.20% of the issued share capital of Hikma), each of the EIP Holders and the MIP Holders (together with certain other identified individuals at that date) was treated as acting in concert with Darhold Limited for the purposes of the Takeover Code (the 'Concert Party'). As at 7 April 2015, the Concert Party held, in aggregate, interests in 62,075,779 ordinary shares in the capital of Hikma (then representing 31.21% of the then issued share capital of Hikma). As at 16 March 2016 being the latest practicable date prior to the publication of this document, the Concert Party held, in aggregate, interests in 62,987,779 ordinary shares in the capital of Hikma (representing 26.31% of the then issued share capital of Hikma).

On full exercise of the options under the Hikma Pharmaceuticals 2004 Stock Option Plan (the '2004 Plan') and full vesting of the LTIPs and the MIPs, the Concert Party would potentially have, in aggregate, interests in 63,387,200 shares in the capital of Hikma (representing 26.44% of the enlarged issued share capital of Hikma, on the basis that no ordinary shares were issued other than pursuant to the exercise of such options or vesting of LTIPs/EIPs/MIPs).

During the period from the Annual General Meeting in 2015 to 16 March 2016, the LTIP/EIP/MIP Holders together with other members of the Concert Party who hold options over ordinary shares pursuant to Hikma's 2005 Long Term Incentive Plan, or 2014 Executive Incentive Plan or 2009 Management Incentive Plan (each an 'Option Holder') exercised, in aggregate, options over 504,562 ordinary shares in the capital of Hikma.

	Holding, 7 April 2015		Holding, 16 March 2016		Holding if all existing EIP, MIP, LTIP are exercised		Holding if maximum award granted in 2016 exercised	
	No. of ordinary shares	Percentage of issued share capital	No. of ordinary shares	Percentage of issued share capital	No. of ordinary shares	Percentage of issued share capital	No. of ordinary shares	Percentage of issued share capital
Darhold Limited	57,183,028	28.75%	57,933,028	24.20%	–	–	–	–
Concert Party	62,075,779	31.21%	62,987,779	26.31%	63,387,200	26.44%	63,534,137	26.48%

Directors' Responsibility Statement

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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts 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, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

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 protecting shareholder investments and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

Said Darwazah
Chairman and Chief Executive

15 March 2016

Mazen Darwazah
Executive Vice Chairman

15 March 2016

Financial Statements

Independent Auditor's Report to the members of Hikma Pharmaceuticals PLC

Opinion on financial statements of Hikma Pharmaceuticals PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1-44 to the Consolidated Financial Statements and 45-67 to the Parent Company Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 60.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 53 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 54-56 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their confirmation that there are no material uncertainties to the Group'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 director's explanation on page 60 as to how they have assessed the prospects of the Group over the three year period to 31 December 2018 and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the director's adoption of the going concern basis of accounting and we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Revenue recognition The Group's revenue recognition policies require directors to make a number of estimates, with the most significant relating to provisions for chargebacks, product returns, rebates and price adjustments (See notes 2 and 3) which vary by product arrangements and buying groups. Additionally, for certain pharmaceutical products there may be uncertainty over the ultimate net selling price due to actual or probable price volatility or over the level of returns, particularly after the launch of a new product. In circumstances where revenue cannot be reliably measured at the time of shipment, revenue recognition is delayed until a reliable estimate can be made. As there is significant management judgement in determining whether revenue can be reliably measured, this is an area of audit focus.	We assessed the revenue recognition policies applied by the Group, including the valuation and timing of revenue recognition with reference to the relevant revenue recognition criteria in IFRSs. Where revenue has been deferred because management have determined that revenue cannot be reliably measured, we challenged this judgement on a product by product basis by comparing management's estimate to our independently developed expectation. Additionally we challenged the basis of the decision to revert to normal recognition practice in the case of one product. We challenged the key judgements such as the expected value of chargebacks, product returns, price adjustments and the amount of inventory in the channel with respect to any deferred revenue by performing analytical and substantive procedures. Substantive procedures included examining third party statements and data (e.g. external prescription data), sampling chargeback payments processed subsequent to the year end to assess run rates and challenging management estimates of channel inventory by reference to IMS data.
Impairment of goodwill and intangible assets The Group holds goodwill and intangible assets totalling $604 million (see notes 3 and 14). These relate to Hikma's acquired manufacturing operations and other business combinations and separately acquired product rights, which the directors are required to assess for impairment. The significant value of these items and the judgemental nature of assumptions included within the impairment models, in particular the growth rates inherent in the forecasts and the discount rate assumptions, make this an area of audit focus. Management completed impairment reviews where indicators of impairment existed or where an annual impairment review was required for assets with an indefinite useful life or goodwill.	We assessed each of the impairment reviews by critically reviewing the estimated future cash flows by considering the historical accuracy of budgeting and through our understanding of the future prospects of the business or investment. We understood the assumptions underlying the forecast cash flows and corroborated the validity of these to other audit evidence. We sensitised the forecast cash flows based on observed historical accuracy. We worked with internal valuation specialists to challenge the discount rates, comparing assumptions to external market data. Where significant judgements were made we also carried out sensitivity analyses to assess their impact.
Taxation The Group's worldwide operations are highly integrated and involve a number of cross border transactions. As a result there is complexity and judgement surrounding the valuation of tax liabilities, including transfer pricing considerations (see notes 2, 3, 11 and 17).	We challenged the judgements made by the directors and evaluated the appropriateness of the provisions for both known and uncertain tax positions and their related disclosures. Working with our own taxation specialists, we obtained the latest correspondence between the Group and the relevant tax authorities, understood the judgements made by the directors in respect of the various open issues, held meetings with senior management and reviewed any opinions of the Group's external tax advisers.

Financial Statements – *Continued*

Independent Auditor's Report to the members of Hikma Pharmaceuticals PLC – *Continued*

Risk	*How the scope of our audit responded to the risk*
Inventory valuation At 31 December 2015, the Group held inventories of $250 million net of provisions of $47 million (see note 19). The directors make significant judgements regarding the value of inventory provisions for obsolescence and short-dated items.	We challenged the assumptions over inventory provisions by: • Reviewing the historical ageing of inventory; • Identifying and assessing a sample of aged and obsolete inventory; • Analysing the level of short-dated inventory and the associated provisions; • Testing the expected volume and price of future sales of inventory by reviewing the price of a sample of inventory sold after the balance sheet date; and • Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year.

In 2014 we also reported on acquisition accounting as a risk in our audit report. We have not reported on this because the only material business combination announced in 2015 did not complete until early in 2016.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 86.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $15.4 million (2014: $18 million), which is approximately 5% (2014: 5%) of profit before tax, and below 1.2% (2014: 1.5%) of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $300,000 (2014: $360,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including any Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at fifteen components. Nine of these components were subject to a full scope audit; while others were subject to an audit of certain specified account balances performed centrally by the Group audit team. These locations represent the principal business units and account for 88% (2014: 82%) of the Group's net assets, 90% (2014: 97%) of the Group's revenue and 91% (2014: 88%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these components was executed at levels of materiality applicable to each individual entity which were lower than Group materiality, ranging from $6m to $9m (2014: $6m to $9m).

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them including Jordan and the USA at least once a year. In 2015, the Group Partners visited the USA, Jordan and Portugal. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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 Group's and the Parent 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.

Paul Franek FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

15 March 2016

Financial Statements – *Continued*

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 Core results $m	2015 Exceptional items and other adjustments (note 5) $m	2015 Statutory results $m	2014 Core results $m	2014 Exceptional items and other adjustments (note 5) $m	2014 Statutory results $m
Continuing operations							
Revenue	4	1,440	–	1,440	1,489	–	1,489
Cost of sales	4	(622)	–	(622)	(638)	–	(638)
Gross profit	4	818	–	818	851	–	851
Sales and marketing expenses		(156)	(16)	(172)	(157)	(14)	(171)
General and administrative expenses		(180)	(20)	(200)	(174)	(11)	(185)
Research and development expenses		(36)	–	(36)	(55)	–	(55)
Other operating expenses (net)	8	(37)	8	(29)	(38)	–	(38)
Total operating expenses		(409)	(28)	(437)	(424)	(25)	(449)
Operating profit	4	409	(28)	381	427	(25)	402
Loss/impairment of associates	16	(2)	(7)	(9)	(6)	–	(6)
Finance income	9	3	–	3	4	–	4
Finance expense	10	(55)	(2)	(57)	(38)	–	(38)
Profit before tax		355	(37)	318	387	(25)	362
Tax	11	(67)	3	(64)	(84)	4	(80)
Profit for the year	6	288	(34)	254	303	(21)	282
Attributable to:							
Non-controlling interests	34	2	–	2	4	–	4
Equity holders of the parent		286	(34)	252	299	(21)	278
		288	(34)	254	303	(21)	282
Earnings per share (cents)							
Basic	13	143.7		126.6	151.0		140.4
Diluted	13	142.3		125.4	149.5		139.0

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 $m	2014 $m
Profit for the year		254	282
Items that may be reclassified subsequently to the income statement:			
Cumulative effect of change in fair value of financial derivatives	31	–	1
Exchange difference on translation of foreign operations		(67)	(53)
Total comprehensive income for the year		187	230
Attributable to:			
Non-controlling interests		(2)	3
Equity holders of the parent		189	227
		187	230

Financial Statements – *Continued*

Consolidated Balance Sheet

At 31 December 2015

	Note	2015 $m	2014 $m
Non-current assets			
Intangible assets	14	607	602
Property, plant and equipment	15	507	514
Investment in associates and joint ventures	16	7	16
Deferred tax assets	17	70	67
Financial and other non-current assets	18	46	39
		1,237	1,238
Current assets			
Inventories	19	251	273
Income tax asset		3	10
Trade and other receivables	20	488	439
Collateralised and restricted cash	21	40	8
Cash and cash equivalents	22	553	280
Other current assets	23	25	3
		1,360	1,013
Total assets		2,597	2,251
Current liabilities			
Bank overdrafts and loans	24	115	393
Obligations under finance leases	29	1	1
Trade and other payables	25	276	248
Income tax provision		75	65
Other provisions	26	28	25
Other current liabilities	27	97	109
		592	841
Net current assets		768	172
Non-current liabilities			
Long-term financial debts	28	590	145
Obligations under finance leases	29	22	23
Deferred tax liabilities	17	21	25
Other non-current liabilities	32	20	1
		653	194
Total liabilities		1,245	1,035
Net assets		1,352	1,216
Equity			
Share capital	33	35	35
Share premium		282	281
Own shares	35	(1)	(1)
Other reserves		1,021	882
Equity attributable to equity holders of the parent		1,337	1,197
Non-controlling interests	34	15	19
Total equity		1,352	1,216

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah
Director

Mazen Darwazah
Director

15 March 2016

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Merger and Revaluation reserves $m	Translation reserves $m	Retained earnings $m	Total reserves $m	Share capital $m	Share premium $m	Own shares $m	Total equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2014	38	(46)	712	704	35	281	(3)	1,017	17	1,034
Profit for the year	–	–	278	278	–	–	–	278	4	282
Cumulative effect of change in fair value of financial derivatives	–	–	1	1	–	–	–	1	–	1
Currency translation loss	–	(52)	–	(52)	–	–	–	(52)	(1)	(53)
Total comprehensive income for the year	–	(52)	279	227	–	–	–	227	3	230
Cost of equity-settled employee share scheme	–	–	8	8	–	–	–	8	–	8
Exercise of equity-settled employee share scheme	–	–	(2)	(2)	–	–	2	–	–	–
Dividends on ordinary shares (note 12)	–	–	(55)	(55)	–	–	–	(55)	(1)	(56)
Balance at 31 December 2014 and 1 January 2015	38	(98)	942	882	35	281	(1)	1,197	19	1,216
Profit for the year	–	–	252	252	–	–	–	252	2	254
Currency translation Loss	–	(63)	–	(63)	–	–	–	(63)	(4)	(67)
Total comprehensive income for the year	–	(63)	252	189	–	–	–	189	(2)	187
Issue of equity shares	–	–	–	–	–	1	–	1	–	1
Cost of equity-settled employee share scheme	–	–	15	15	–	–	–	15	–	15
Deferred tax arising on share-based payments	–	–	(1)	(1)	–	–	–	(1)	–	(1)
Dividends on ordinary shares (note 12)	–	–	(64)	(64)	–	–	–	(64)	(2)	(66)
Balance at 31 December 2015	**38**	**(161)**	**1,144**	**1,021**	**35**	**282**	**(1)**	**1,337**	**15**	**1,352**

Financial Statements – *Continued*

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	2015 $m	2014 $m
Net cash from operating activities	36	**366**	425
Investing activities			
Purchases of property, plant and equipment		**(82)**	(91)
Proceeds from disposal of property, plant and equipment	5	**31**	1
Purchase of intangible assets		**(55)**	(27)
Proceeds from disposal of intangible assets		**–**	1
Investment in financial and other non-current assets		**–**	(5)
Investment in available for sale investments		**(1)**	–
Investments designated at fair value		**(20)**	–
Acquisition of business undertakings net of cash acquired		**–**	(225)
Finance income		**3**	4
Acquisition related amounts held in escrow account	21	**(38)**	–
Net cash used in investing activities		**(162)**	(342)
Financing activities			
Increase/(decrease) in collateralised and restricted cash		**6**	(1)
Increase in long-term financial debts		**529**	5
Repayment of long-term financial debts		**(91)**	(121)
(Decrease)/increase in short-term borrowings		**(270)**	241
Dividends paid		**(64)**	(55)
Dividends paid to non-controlling shareholders of subsidiaries		**(2)**	(1)
Interest paid		**(49)**	(38)
Proceeds from issue of new shares		**1**	–
Proceeds from co-development and earnout payment agreement		**17**	–
Net cash generated by financing activities		**77**	30
Net increase in cash and cash equivalents		**281**	113
Cash and cash equivalents at beginning of year		**280**	168
Foreign exchange translation movements		**(8)**	(1)
Cash and cash equivalents at end of year		**553**	280

1. Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements, however, may impact the accounting for future transactions and arrangements.

Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
Annual improvements to IFRSs: 2011 – 2013	

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amendments)	Agriculture: Bearer Plants
IFRS 15	Revenue from Contracts with Customers
IAS 19 (amendments)	Defined Benefit Plans: Employees Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and it Associate or Joint venture
Annual improvements to IFRSs: 2010 – 2012	
Annual improvements to IFRSs: 2012 – 2014 Cycle	
IAS 1 (Amendments)	Disclosure Initiative
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exemption
IFRS 16	Leases
IAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effects of IFRS 9 , IFRS 15 and IFRS 16 until a detailed review has been completed.

2. Significant accounting policies

General Information

Hikma Pharmaceuticals PLC is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 192.

Basis of accounting

Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and, therefore, comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, except for the revaluation to market of certain financial assets and liabilities.

The Group's previously published financial statements were also prepared in accordance with IFRSs issued by the IASB and also in accordance with IFRSs adopted for use in the European Union.

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 have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements (page 61).

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").

An investor controls an investee when it 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.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any 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 is recognised as goodwill. Non-controlling interests in the net assets of consolidated subsidiaries may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount initially recognised plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies continued

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity shareholders of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the consolidated income statement as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in 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) and the resulting gain or loss, if any, is recognised in the consolidated income statement.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

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 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 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 (see below), 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.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee revenue but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates 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 associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate 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 excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Intangible assets

An intangible asset is recognised if:

- It is identifiable;
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- The cost of the asset can be measured reliably.

2. Significant accounting policies continued

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.

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 are 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. Payments made to such third parties to fund research and de*The format of the 2015 tax reconciliation has been expanded to clarify the reconciling items. For consistency, we have re-classified the 2014 tax reconciliation using the same methodology.

Further details of the elements of the tax reconciliation are described below:

Profits taxed at different rates refer to non-UK profits taxed at statutory rates different from the UK statutory rate.

Permanent differences relate principally to income which is not subject to tax due to statutory exemptions.

Temporary differences for which no benefit is recognised includes items on which it is not possible to book deferred tax and comprise mainly of the impact of creating / (utilising) unrecognised temporary differences.

Prior year adjustments include amounts settled with tax authorities which differ from the amounts previously provided.

Development efforts are recognized as intangible assets if the capitalization criteria for recognising an intangible asset are met, all other payments are charged to the consolidated income statement.

(a) Goodwill: arising in a business combination 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 acquired and the liabilities assumed.

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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. Cash-generating units to which goodwill has been allocated 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.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated income statement on disposal.

(b) Marketing rights: are amortised over their useful lives commencing in the year in which the rights first generate sales (note 14).

(c) Customer relationships: represent the value attributed to the long-term relationships held with existing customers at the date of acquisition and are amortised over their useful economic life.

(d) Product related intangibles:

(i) Product files and under-licenced products are assigned indefinite useful lives which are reviewed for impairment at least annually; and

(ii) Under-licence agreements and product dossiers are amortised over their useful lives from the date of acquisition. Intangible assets recognised from development activities are amortised over their useful economic life.

(e) Purchased software: is amortised over the useful economic life when the asset is available for use.

(f) In process research and development recognised on acquisition: is amortised over the useful life from the date of acquisition.

(g) Trade name: some trade names are assigned indefinite useful lives and others have finite useful lives over which they are amortised where applicable, in the period from acquisition.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US dollars, the functional currency of Hikma Pharmaceuticals PLC and the presentational currency of the consolidated financial statements.

Transactions in currencies other than a company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are

2. Significant accounting policies continued

denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on retranslation of monetary assets and liabilities are recognised in the consolidated income statement in the period in which they arise.

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 rates prevailing on the balance sheet date. Sudan was considered to be a hyperinflationary economy during the year ended 31 December 2015.The effect of using the prevailing rate in Sudan for the year ended 31 December 2015 was not material.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such cumulative translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

Dynamic market changes can generate uncertainty as to the ultimate net selling price of a pharmaceutical product and therefore revenue cannot always be measured reliably at the point when the product is supplied or made available to external customers.

Revenue is recognised in the consolidated income statement when goods or services are supplied or made available to external customers against orders received and when title and risk of loss have passed.

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 and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

If the ultimate net selling price cannot be reliably measured, revenue recognition is deferred until a reliable measurement can be made. Deferred revenue is included in other current liabilities in the consolidated balance sheet.

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.

Returns

In certain countries 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 in the period in which the underlying sales are recognised, as a reduction of revenue.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has allowed for 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.

Rebates

In certain countries, rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States 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 allowed for 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.

Price adjustments

Price adjustments, also known as "shelf stock adjustments", are credits issued to reflect decreases in the selling prices of the Group's products that customers have remaining in their inventories at the time of the price reduction. Decreases in selling prices are discretionary decisions made by Group management to reflect competitive market conditions. Amounts recorded for estimated shelf stock adjustments are based upon specified terms with direct

2. Significant accounting policies continued

customers, estimated declines in market prices and estimates of inventory held by customers. The Group regularly monitors these and other factors and re-evaluates the reserve as additional information becomes available.

Free goods

Free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as a compensation for expired/returned goods. Free goods are recognised at cost at the date at which the related revenue is recognised. The costs associated with free goods are classified as cost of sales.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to the consolidated income statement when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Dividend income

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the consolidated income statement over the expected useful lives of the assets concerned.

Retirement benefit costs

Payments 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.

Tax

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 for the year represents the sum of the tax in current period, deferred tax arising in the period and prior year adjustments.

The tax incurred in the period is based on taxable profit for the year. Taxable profit differs from profit before tax 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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 can be utilised. Such assets and liabilities are not recognised if 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.

Deferred tax liabilities are recognised for temporary taxable differences arising on investments in subsidiaries and associates, 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 to 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 with in equity.

Notes to the Consolidated Financial Statements – *Continued*

2. Significant accounting policies continued

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 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.

Share-based payment transactions

Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Share-based payments

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 equity settled stock options scheme is determined using a binomial model. The fair value of the management incentive plan is determined based on the share price as at the date of grant discounted by dividend yield. The fair value of the long-term incentive plan is determined using a Monte Carlo valuation model, for long-term incentive plan awards made from 2010, 50% of the award is subject to a TSR performance condition which is valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics and valued by applying a Black-Scholes model.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations (further details are given in Note 38). In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Hikma Pharmaceuticals PLC.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest (except for failure to satisfy a market vesting condition) 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. Where the terms of a share-based payments award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date. Where a share-based payments award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above. The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

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 4%
Vehicles	10% to 20%
Machinery	5% to 33%
Fixtures and equipment	6% to 33%

A units 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. Property, plant and equipment which are financed by leases giving Hikma Pharmaceuticals PLC substantially all the risks and rewards of ownership are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at the inception of the lease, and depreciated in the same manner as other property, plant and equipment over the shorter of the lease term of their useful life. 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 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.

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 cost of own-manufactured products comprises direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing

2. Significant accounting policies continued

the inventories to their present location and condition. In the balance sheet, inventory is primarily valued at standard cost, which approximates to 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. Provisions are made for inventories with net realisable value lower than cost or for slow moving inventory.

Financial instruments

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

Financial assets

All financial assets are recognised and derecognised on a trade date, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the consolidated income statement, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables 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.

Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to the consolidated income statement. The Group's investments in unlisted shares that are not traded in an active market and the fair value of which cannot be reliably measured are stated at cost, less a provision for any impairment loss, which is taken to the consolidated income statement.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group engage in co-development and earn out payment agreements with third parties where the Group earn milestone payments reflecting the achievement of R&D and commercialisation milestones. Those payments are recognised as financial liabilities once received and 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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The 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.

Derivative financial instruments

Derivative financial instruments are used to manage the Group's exposure to interest rate and foreign exchange risks. The principal derivative instruments used by the Group are interest rate swaps and foreign exchange forward and option contracts. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Hedge accounting

The Group designates certain hedging instruments, in respect of interest rate and foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

2. Significant accounting policies continued

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 31 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Cash and cash equivalents

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

Equity instruments

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

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.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets 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). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The Recoverable amount is the higher of fair value less costs to sell and value in use. 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) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that it does not exceed the previous revaluation surplus, and any excess is recognised in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Exceptional Items

The Group presents core earnings by making 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 items would include costs associated with business combinations, one-off gains and losses on disposal of businesses, assets, finance costs on co-development and earnout agreement and similar items of a non-recurring nature together with reorganisation costs and similar charges and by adding back impairment of goodwill and amortisation and impairment of intangible assets arising on business combinations, net of any tax impact.

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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

The 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

The Group's revenue recognition policies require Directors to make a number of estimates, with the most significant relating to chargebacks, product returns, rebates and price adjustments (note 2) which vary by product arrangements and buying groups. If the ultimate net selling price cannot be reliably measured, revenue recognition is deferred until a reliable measurement can be made. The Deferred revenue in respect of this is included in other current liabilities in the consolidated balance sheet.

Accounts receivable and bad debts

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 credit worthiness 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 30-90 days, in Europe 30-120 days, and in MENA 180-360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

The Group estimates, based on its historical experience, the level of debts that it believes will not be collected. Such estimates are made when collection of the full amount of the debt is no longer probable. These estimates are based on a number of factors including specific customer issues and industry, economic and political conditions. Bad debts are written-off when identified.

Goodwill and intangible assets

The critical areas of judgement in relation to goodwill and intangible assets are the useful economic lives of the product-related intangibles, the growth rates used in the impairment tests and the discount rates used to determine net present values.

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. For current matters see note 37.

Taxation

In common with most international organisations, the Group may be 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 it's the Group financial data reduces the risk of an adverse revenue authority audit. Furthermore, the Group continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. 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.

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 transfer pricing and the withdrawal of tax exemptions. Other risks the Group faces include a material change to the statutory tax rates, from the OECD's base erosion and profit shifting initiatives and adjustments arising out of differences in interpretation of tax legislation. The Group regularly takes professional advice to ensure the risks mentioned above are appropriately analysed and managed with any ultimate potential liability being adequately provided.

The transfer pricing risk can arise from a difference in view over the pricing of cross-border, inter-company product sales and services and of sales of assets. The standard by which most authorities 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 necessary result in the downward adjustment by the other territory, leading to a potentially increased 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 these risks in detail and has provided for potential tax adjustments so does not believe that any adjustment will materially impact the effective tax rate going forward.

The Group benefits from a tax exemption in Jordan arising partly from the WTO approved Export Exemption that will be in force up until 31 December 2018. The Group does not believe that the impact of the future withdrawal of this exemption will materially impact the Group's tax rate in light of the alternative options available under existing Jordanian domestic rules.

4. Segmental reporting

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

The Group discloses underlying operating profit as the measure of segmental result, as this is the principal measure used in decision-making and resource allocation by the chief operating decision maker, who is the Group's Chief Executive Officer.

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

The following is an analysis of the Group's revenue and results by reportable segment in 2015:

Year ended 31 December 2015	Branded $m	Injectables $m	Generics $m	Others $m	Group $m
Revenue	570	710	151	9	1,440
Cost of sales	(293)	(261)	(62)	(6)	(622)
Gross profit	277	449	89	3	818
Core segment result	118	312	46	(5)	471
Exceptional items:					
– Integration costs	–	–	(2)	–	(2)
– Severance costs	(5)	(1)	–	–	(6)
– Proceeds from legal claims	–	2	–	–	2
– Gain from sale of assets, net	–	6	–	–	6
Intangible amortisation other than software	(8)	(8)	–	–	(16)
Segment result	105	311	44	(5)	455
Core unallocated corporate expenses					(62)
Exceptional items:					
– Acquisition related expenses					(12)
Unallocated corporate expenses					(74)
Core operating profit					409
Operating profit					381
Loss\impairment of associates					(9)
Finance income					3
Finance expense					(57)
Profit before tax					318
Tax					(64)
Profit for the year					254
Attributable to:					
Non-controlling interest					2
Equity holders of the parent					252
					254

Segment result is defined as operating profit for each segment.

"Others" mainly comprises Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, professional fees, travel expenses and donations.

4. Segmental reporting continued

Segment assets and liabilities 2015	Branded $m	Injectables $m	Generics $m	Corporate and others $m	Group $m
Additions to property, plant and equipment (cost)	24	39	15	7	85
Remeasurement of property, plant and equipment (note 43)	–	(1)	–	–	(1)
Additions to intangible assets	5	41	8	2	56
Remeasurement of Intangible assets (note 43)	–	(8)	–	–	(8)
Total property, plant and equipment and intangible assets (net book value)	478	532	81	23	1,114
Depreciation and impairment	22	19	8	2	51
Amortisation and impairment (including software)	9	11	1	1	22
Investment in associates and joint ventures	–	–	–	7	7
Balance sheet					
Total assets	1,108	829	165	495	2,597
Total liabilities	453	397	309	86	1,245

The following is an analysis of the Group's revenue and results by reportable segment in 2014:

Year ended 31 December 2014	Branded $m	Injectables $m	Generics $m	Others $m	Group $m
Revenue	551	713	216	9	1,489
Cost of sales	(284)	(282)	(66)	(6)	(638)
Gross profit	267	431	150	3	851
Core segment result	111	265	113	(5)	484
Exceptional items:					
Intangible amortisation other than software	(9)	(5)	–	–	(14)
Segment result	102	260	113	(5)	470
Core unallocated corporate expenses					(57)
Exceptional items:					
– Acquisition related expenses					(11)
Unallocated corporate expenses					(68)
Core operating profit					427
Operating profit					402
Loss from associates					(6)
Finance income					4
Finance expense					(38)
Profit before tax					362
Tax					(80)
Profit for the year					282
Attributable to:					
Non-controlling interest					4
Equity holders of the parent					278
					282

Segment result is defined as operating profit for each segment.

"Others" mainly comprise Arab Medical Containers Ltd, International Pharmaceutical Research Center Ltd and the chemicals division of Hikma Pharmaceuticals Ltd (Jordan).

Unallocated corporate expenses are primarily made up of employee costs, office costs, professional fees, donations and travel expenses.

Notes to the Consolidated Financial Statements – *Continued*

4. Segmental reporting continued

Segment assets and liabilities 2014	Branded $m	Injectables $m	Generics $m	Corporate and others $m	Group $m
Additions to property, plant and equipment (cost)	48	31	8	2	89
Acquisition of business' property, plant and equipment (net book value)	–	53	–	–	53
Additions to intangible assets	4	16	4	1	25
Intangible assets arising on acquisition	–	174	–	–	174
Total property, plant and equipment and intangible assets (net book value)	511	528	70	7	1,116
Depreciation and impairment	22	18	7	2	49
Amortisation and impairment (including software)	10	13	–	–	23
Investment in associates and joint ventures	–	–	–	16	16
Balance sheet					
Total assets	1,123	770	175	183	2,251
Total liabilities	481	405	92	57	1,035

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2015 $m	2014 $m
Middle East and North Africa	656	633
United States	697	763
Europe and Rest of the World	82	89
United Kingdom	5	4
	1,440	1,489

The top selling markets were as below:

	2015 $m	2014 $m
United States	697	763
Saudi Arabia	162	146
Algeria	113	86
	972	995

Included in revenues arising from the Generics and Injectables segments are revenues of approximately $173 million (2014: $221 million) which arose from the Group's largest customer which is located in the United States.

The following is an analysis of the total non-current assets excluding deferred tax and financial instruments and an analysis of total assets by the geographical area in which the assets are located:

	Total non-current assets excluding deferred tax and financial instruments as at 31 December		Total assets as at 31 December	
	2015 $m	2014 $m	2015 $m	2014 $m
Middle East and North Africa	577	606	1,174	1,202
Europe	135	141	146	195
United States	390	368	811	648
United Kingdom	63	55	466	206
	1,165	1,170	2,597	2,251

5. Exceptional items and other adjustments

Exceptional items are disclosed separately in the consolidated income statement to assist in the understanding of the Group's underlying performance.

Exceptional items	2015 $m	2014 $m
Acquisition and integration related costs	(14)	(11)
Severance costs	(6)	–
Proceeds from legal claims	2	–
Gain from sale of assets, net	6	–
Exceptional items included in operating profit	(12)	(11)
Impairment of investment in associates	(7)	–
Exceptional items included in profit	(19)	(11)
Other adjustments		
Intangible amortisation other than software	(16)	(14)
Co-development and earnout payment agreement finance cost (note 32)	(2)	–
Exceptional items and other adjustments	(37)	(25)
Tax effect	3	4
Impact on profit for the year	(34)	(21)

Exceptional items:

- Acquisition and integration related expenses are costs incurred in relation to the acquisition of Roxane laboratories Inc. and Boehringer Ingelheim "Roxane Inc.", which was closed on 29 February 2016. Acquisition related expenses are included in the unallocated corporate expenses, while integration related expenses are included in segment results. Acquisition related expenses mainly comprise third party consulting services, legal and professional fees.
- Severance expenses in 2015 related to restructuring of management teams mainly in MENA.
- Proceeds from legal claims refers to cash received in settlement of an indemnification claim in the US.
- Gain from sale of the assets related to the sale of Bedford manufacturing facilities to Xellia Pharmaceuticals for a cash consideration of $30 million. The gain is net of hibernation costs related to the assets.
- Impairment of investment in associates represents the impairment of the remaining investment balance related to Unimark Remedies limited. Hikma's share in Unimark Remedies Limited is being divested during 2016 for minimal value.

Other adjustments:

- Co-development and earnout payment agreement finance cost represents the difference resulting on remeasurement of the fair value of the liability associated with the future earnout payments to be made in relation to the agreement (note 32).

In previous periods exceptional items related to the following:

Acquisition related expenses were costs incurred from acquiring Bedford Laboratories, these expenses were included in the unallocated corporate expenses and mainly comprise third party consulting services, legal and professional fees.

Notes to the Consolidated Financial Statements – *Continued*

6. Profit for the year

Profit for the year has been arrived at after charging:

	2015 $m	2014 $m
Net foreign exchange losses	6	6
Depreciation and impairment of property, plant and equipment	51	49
Amortisation and impairment of intangible assets (including software)	22	23
Inventories:		
Cost of inventories recognised as an expense	367	378
Write-down of inventories	29	32
Staff costs (note 7)	362	344

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

	2015 $m	2014 $m
Audit of the Company's annual accounts	0.4	0.4
Audit of the Company's subsidiaries pursuant to legislation	1.2	1.2
Total audit fees	1.6	1.6
Assurance services*	0.1	0.2
Total audit and assurance fees	1.7	1.8
- Tax compliance services	0.1	0.1
- Tax advisory services	0.3	0.4
- Other services**	2.5	–
Total non-audit fees	2.9	0.5
Total fees	4.6	2.3

* Assurance services relate to review procedures in respect of the interim financial information.

** Other services include transaction services, in particular relating to the Roxane prospectus\class one circular.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 84 to 88 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. Staff costs

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

	2015 Number	2014 Number
Production	3,896	3,986
Sales and marketing	2,164	2,089
Research and development	264	223
General and administrative	865	841
	7,189	7,139

7. Staff costs continued

	2015 $m	2014 $m
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	247	242
Social security costs	22	22
Post-employment benefits	7	7
End of service indemnity	14	10
Share-based payments	15	8
Car and housing allowances	19	18
Health insurance	19	18
Other costs and employee benefits	19	19
	362	344

8. Other operating expenses (net)

	2015 $m	2014 $m
Other operating expense	(59)	(55)
Other operating income	30	17
	(29)	(38)

Other operating expenses consist mainly of write-down of inventories (note 19), foreign exchange losses, and hibernation costs related to Bedford Laboratories (note 5).

Other operating income consists mainly of foreign exchange gains, gain from sale of Ben Venue manufacturing facilities (note 5), proceeds from legal claims (note 5), and other product-related income.

9. Finance income

	2015 $m	2014 $m
Interest income	2	4
Other financial income	1	–
	3	4

10. Finance expense

	2015 $m	2014 $m
Interest on bank overdrafts and loans	24	19
Interest on Eurobond	16	–
Interest on obligations under finance leases	–	1
Co-development and earnout payment agreement finance cost (note 32)	2	–
Other bank charges	15	18
	57	38

Notes to the Consolidated Financial Statements – *Continued*

11. Tax

	2015 $m	2014 $m
Current tax:		
Foreign tax	68	82
Adjustments to prior year	1	(9)
Deferred tax (note 17)	(5)	7
	64	80

UK corporation tax is calculated at 20.2% (2014: 21.5%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $64 million, compared with $80 million in 2014. The effective tax rate is 20.1%, (2014: 22.1%). The reduction in the effective tax rate reflects increased earnings in lower taxed jurisdictions, combined with lower earnings in the US. In 2016, the effective tax rate is expected to be around 25%. This is expected to return closer to 2014 levels over the medium term.

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

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

	2015 $m	2014* $m
Profit before tax	318	362
Tax at the UK corporation tax rate of 20.2% (2014: 21.5%)	64	78
Profits taxed at different rates	(13)	12
Permanent differences	(11)	(37)
Temporary differences for which no benefit is recognised	11	13
Change in provision for uncertain tax positions	11	20
State and local taxes	1	3
Prior year adjustments	1	(9)
Tax expense for the year	64	80

* The format of the 2015 tax reconciliation has been expanded to clarify the reconciling items. For consistency, we have re-classified the 2014 tax reconciliation using the same methodology.

Further details of the elements of the tax reconciliation are described below:

Profits taxed at different rates refer to non-UK profits taxed at statutory rates different from the UK statutory rate.

Permanent differences relate principally to income which is not subject to tax due to statutory exemptions.

Temporary differences for which no benefit is recognised includes items on which it is not possible to book deferred tax and comprise mainly of the impact of creating / (utilising) unrecognised temporary differences.

Prior year adjustments include amounts settled with tax authorities which differ from the amounts previously provided.

12. Dividends

	2015 $m	2014 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2014 of 15.0 cents (2013: 13.0 cents) per share	30	25
Interim dividend for the year ended 31 December 2015 of 11.0 cents (2014: 7.0 cents) per share	22	14
Special final dividend for the year ended 31 December 2014 of 6.0 cents (2013: 4.0 cents) per share	12	8
Special Interim dividend for the year ended 31 December 2015 of nil (2014: 4.0 cents) per share	–	8
	64	55

The proposed final dividend for the year ended 31 December 2015 is 21.0 cents (2014: 15.0 cents plus 6.0 cents as a special dividend) per share. This brings the full year dividend to 32.0 cents (2014: 22.0 cents plus 10.0 cents as a special dividend).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 May 2016 and has not been included as a liability in these financial statements. Based on the number of shares in issue at 31 December 2015 (199,421,000), the unrecognised liability is $42 million.

13. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of 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. A reconciliation of the basic and core earnings used is also set out below:

	2015 $m	2014 $m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	252	278
Exceptional items (note 5)	19	11
Other adjustments:		
– Intangible amortisation other than software (note 5)	16	14
– Co-development and earnout payment agreement finance cost (note 5)	2	–
Tax effect of adjustments (note 5)	(3)	(4)
Core earnings for the purposes of Core basic and diluted earnings per share being adjusted net profit attributable to equity holders of the parent	286	299

Number of shares	Number 'm	Number 'm
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	199	198
Effect of dilutive potential Ordinary Shares:		
Share-based awards	2	2
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	201	200

	2015 Earnings per share Cents	2014 Earnings per share Cents
Basic	126.6	140.4
Diluted	125.4	139.0
Core basic	143.7	151.0
Core diluted	142.3	149.5

14. Intangible assets

	Goodwill $m	Customer relationships $m	Product-related intangibles $m	Trade names $m	Marketing rights and others $m	Software $m	Total $m
Cost							
Balance at 1 January 2014	279	78	118	11	17	30	533
Additions	–	–	19	–	1	5	25
Acquisition of business	51	–	123	–	–	–	174
Translation adjustments	(15)	(3)	(4)	(1)	(1)	(1)	(25)
Balance at 1 January 2015	**315**	**75**	**256**	**10**	**17**	**34**	**707**
Additions	–	–	35	–	2	19	56
Remeasurement (note 43)*	(8)	–	–	–	–	–	(8)
Translation adjustments	(14)	(6)	(4)	(1)	(1)	(1)	(27)
Balance at 31 December 2015	**293**	**69**	**287**	**9**	**18**	**52**	**728**
Amortisation							
Balance at 1 January 2014	(1)	(29)	(30)	(2)	(8)	(16)	(86)
Charge for the year	–	(5)	(8)	–	(1)	(4)	(18)
Impairment	–	–	(5)	–	–	–	(5)
Translation adjustments	–	1	1	–	1	1	4
Balance at 1 January 2015	**(1)**	**(33)**	**(42)**	**(2)**	**(8)**	**(19)**	**(105)**
Charge for the year	–	(5)	(10)	–	(1)	(4)	(20)
Impairment	–	–	(2)	–	–	–	(2)
Translation adjustments	–	3	2	–	–	1	6
Balance at 31 December 2015	**(1)**	**(35)**	**(52)**	**(2)**	**(9)**	**(22)**	**(121)**
Carrying amount							
At 31 December 2015	**292**	**34**	**235**	**7**	**9**	**30**	**607**
At 31 December 2014	314	42	214	8	9	15	602

The current year additions include licences and new products under development.

* An adjustment of $8 million was made to the provisional goodwill recognised on the acquisition of Bedford as a result of the adjustment to property, plant and equipment, inventory and deferred taxes made prior to the end of the measurement period on 15 July 2015 (note 43).

As at 31 December 2015, the Group had Intangible assets under development amounting to $156 million (2014: $154 million) which are not subject to amortisation until ready for use.

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	
	2015 $m	2014 $m
Branded	**187**	199
Injectables:	**75**	83
– MSI	**32**	32
– Bedford	**43**	51
Oncology	**30**	32
Total	**292**	314

14. Intangible assets continued

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

Details related to the discounted cash flow models used in the impairment tests of CGUs are as follows:

Valuation basis	Higher of fair value less costs of disposal and value in use		
Key assumptions	Sales growth rates Profit margins Terminal growth rate Discount rate		
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information. Margins reflect past experience, adjusted for expected changes. Terminal growth rates based on management's estimate of future long-term average growth rates. Discount rates based on Group WACC, adjusted where appropriate.		
Period of specific projected cash flows	5 years		
Terminal growth rate and discount rate		Terminal growth rate (perpetuity)	Pre-tax discount rate
	Branded	2%	14%*
	MSI	2%	11%
	Bedford	2%	11%
	Oncology	2%	11%

* Branded discount rate is blended according to the operating profits of the associated market\country included in the cash flows of the CGU.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill. Whilst there is some uncertainty regarding the short-term impact of the political events in MENA, the Group does not consider that the likelihood of impairment losses in the long-term has increased.

14. Intangible assets continued

Other intangible assets

Amortisation of all intangible assets with finite useful lives is charged on a straight-line basis.

Customer relationships: Customer relationships represent the value attributed to the existing direct customers that the Company acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years (2014: 15 years).

Product related intangibles: Product related intangibles include four types:

a. **Product files and under-licenced products:** $6 million (2014: $20 million) of the product files and under-licence products intangibles are assessed as having indefinite useful lives due to the expected longevity of the products.

b. **Under-licence agreements:** The estimated useful life of under-licence agreements varies from five to eleven years (2014: five to eleven years).

c. **Product dossiers:** Product dossiers have an average estimated useful life of 15 years (2014: 15 years).

d. **In process product files:** Mainly represent files acquired from Bedford that are in the process of being transferred to our manufacturing facilities.

Trade name: Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany), Arab Pharmaceutical Manufacturing Company, Promopharm, and Ibn Al Baytar.

The trade name recognised on the acquisition of Hikma Germany GmbH (Germany) is expected to have an indefinite economic useful life due to its expected longevity. The carrying value of Hikma Germany GmbH (Germany) trade name is $5 million (2014: $5 million). The trade names recognised on the acquisition of the other subsidiaries have useful lives that vary from three to twenty years.

Marketing rights and others

a. **Marketing rights:** Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use. The estimated useful life of marketing rights varies from five to ten years.

b. **In-process R&D:** In-process R&D represents mainly the pipeline of products under development that were recognised on the acquisition of Arab Pharmaceutical Manufacturing Company and Hikma Pharma SAE- Egypt. The in-process R&D has an average estimated useful life of 15 years (2014: 15 years).

c. **Other acquisition related:** This mainly represents intangible assets recognised on the acquisition of Thymoorgan, which relate to its specialist manufacturing capabilities. The estimated useful life varies from 10 years to an indefinite useful life. The carrying value of assets with indefinite lives is $1 million (2014: $1 million).

Software: Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group. The software has an average estimated useful life of five years.

As at 31 December 2015, the Group had entered into contractual commitments for the acquisition of intangible assets of $49 million (2014: $45 million).

15. Property, plant and equipment

Cost	Land and buildings $m	Vehicles $m	Machinery and equipment $m	Fixtures and equipment $m	Projects under construction $m	Total $m
Balance at 1 January 2014	263	16	328	58	58	723
Additions	17	2	14	5	51	89
Acquisition of business	20	–	26	7	–	53
Disposals	–	(2)	(6)	(1)	–	(9)
Transfers	14	–	19	2	(35)	–
Translation adjustment	(12)	(1)	(17)	(2)	(3)	(35)
Balance at 1 January 2015	**302**	**15**	**364**	**69**	**71**	**821**
Additions	8	1	6	4	66	85
Remeasurement (note 43)	–	–	–	(1)	–	(1)
Disposals	(11)	(2)	(17)	(6)	(1)	(37)
Transfers	12	–	24	8	(44)	–
Translation adjustment	(13)	(1)	(17)	(3)	(2)	(36)
Balance at 31 December 2015	**298**	**13**	**360**	**71**	**90**	**832**
Accumulated depreciation						
Balance at 1 January 2014	(58)	(10)	(170)	(40)	(2)	(280)
Charge for the year	(10)	(2)	(29)	(7)	–	(48)
Impairment	–	–	–	–	(1)	(1)
Disposals	–	2	4	1	–	7
Translation adjustment	4	–	9	2	–	15
Balance at 1 January 2015	**(64)**	**(10)**	**(186)**	**(44)**	**(3)**	**(307)**
Charge for the year	(11)	(1)	(30)	(8)	–	(50)
Impairment	–	–	–	–	(1)	(1)
Disposals	–	2	9	5	–	16
Translation adjustment	5	1	9	2	–	17
Balance at 31 December 2015	**(70)**	**(8)**	**(198)**	**(45)**	**(4)**	**(325)**
Carrying amount						
At 31 December 2015	**228**	**5**	**162**	**26**	**86**	**507**
Carrying amount						
At 31 December 2014	238	5	178	25	68	514

The net book value of the Group's property, plant and equipment includes an amount of $8 million (2014: $7 million) in respect of assets held under finance lease.

As at 31 December 2015, the Group had pledged property, plant and equipment having a carrying value of $45 million (2014: $47 million) as collateral for various long-term loans. This amount includes both specific items around the Group and the net property, plant and equipment of the Group's businesses in Portugal, Germany, and Tunisia (2014: Portugal, Germany and Tunisia).

As at 31 December 2015, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to $9 million (2014: $23 million).

16. Investments in associates and joint ventures

A loss of $2 million representing the Group share of the results of Unimark Remedies Limited and Hubei Haosun Pharmaceutical Co. Ltd (2014: share of loss $6 million). During 2015, the Group has impaired the remaining investment balance related to Unimark Remedies Limited of $7 million which is due to the continuous financial difficulties. Hikma's share in Unimark Remedies Limited is being divested during 2016 for minimal value.

The below represents the Group's share of the result and the impairment of Unimark Remedies Limited and Hubei Haosun Pharmaceutical Co. Ltd. Both are included in the consolidated income statement.

	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Joint ventures $m	Associates $m	Total $m	Joint ventures $m	Associates $m	Total $m
Balance at 1 January	3	13	16	3	19	22
Share of loss	–	(2)	(2)	–	(6)	(6)
Impairment of investment (note 5)	–	(7)	(7)	–	–	–
Balance at 31 December	3	4	7	3	13	16

Summarised financial information in respect of the Group's interests in associated companies is set out below:

	For the year ended 31 December 2015 $m	For the year ended 31 December 2014 $m
Total assets	214	220
Total liabilities	160	148
Net assets	54	72
Group's share of net assets of associates	13	17
Total revenue	49	50
Net loss	(23)	(27)
Group's share of loss of associates	(2)	(6)

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years.

	Tax losses $m	Deferred R&D costs $m	Other short-term temporary differences $m	Amortisable assets $m	Fixed assets $m	Share-based payments $m	Total $m
At 1 January 2014	–	1	89	(22)	(9)	1	60
(Charge)/Credit to income	4	–	(12)	–	–	1	(7)
Acquisition of business	–	–	–	–	(13)	–	(13)
Exchange differences	–	–	–	2	–	–	2
At 1 January 2015	4	1	77	(20)	(22)	2	42
Credit/(Charge) to income	1	–	(3)	1	6	–	5
(Charge) to equity	–	–	–	–	–	(1)	(1)
Remeasurement (note 43)	–	–	–	–	2	–	2
Exchange differences	(1)	–	–	1	1	–	1
At 31 December 2015	4	1	74	(18)	(13)	1	49

17. Deferred tax continued

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	
	2015 $m	2014 $m
Deferred tax liabilities	(21)	(25)
Deferred tax assets	70	67
	49	42

No deferred tax asset has been recognised on temporary differences totalling $164 million (2014: $86 million) due to the unpredictability of the related future profit streams. Of these temporary differences, $40 million relates to unrecognised deferred tax on UK share-based payments. The remaining temporary difference of $ 124 million relates to losses on which no deferred tax is recognised. None of these losses are expected to expire.

No deferred tax liability is recognised on temporary differences of $122 million (2014: $96 million) relating to the unremitted earnings of overseas subsidiaries, 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.

18. Financial and other non-current assets

	As at 31 December	
	2015 $m	2014 $m
Other financial assets	–	1
Available-for-sale investments	2	1
Other non-current asset	44	37
	46	39

Other non-current assets mainly represent advance payments made to acquire products and product related technologies from third parties. These payments will be reclassified to intangible assets and inventory from the point where the products are available for use.

19. Inventories

	As at 31 December	
	2015 $m	2014 $m
Finished goods	55	60
Work-in-progress	33	33
Raw and packing materials	152	159
Goods in transit	11	21
	251	273

Goods in transit includes inventory held at third parties whilst in transit between Group companies.

	As at 31 December 2014 $m	Additions $m	Utilisation $m	Translation adjustments $m	As at 31 December 2015 $m
Provisions against inventory	50	29	(31)	(1)	47

The total expense in the consolidated income statement for the write-off of inventory, including provisions for such write-offs, was $29 million (2014: $32 million).

20. Trade and other receivables

	As at 31 December	
	2015 $m	2014 $m
Trade receivables	432	384
Prepayments	39	42
VAT and sales tax recoverable	15	12
Employee advances	2	1
	488	439

Trade receivables are stated net of provisions for chargebacks and doubtful debts as follows:

	As at 31 December 2014 $m	Additions $m	Utilisation $m	Translation adjustments $m	As at 31 December 2015 $m
Chargebacks and other allowances	85	524	(524)	–	85
Doubtful debts	35	11	(1)	(2)	43
	120	535	(525)	(2)	128

The following table provides a summary of the age of trade receivables:

		Past due				
At 31 December 2015	Not past due on the reporting date $m	less than 90 days $m	between 91 and 180 days $m	between 181 and 360 days $m	Over one year $m	Impaired $m	Total $m
Total trade receivables as at 31 December 2015	423	50	25	15	4	43	560
Related allowance for doubtful debts						(43)	(43)
	423	50	25	15	4	–	517
Chargebacks and other allowances							(85)
Net receivables							432

		Past due				
At 31 December 2014	Not past due on the reporting date $m	less than 90 days $m	between 91 and 180 days $m	between 181 and 360 days $m	Over one year $m	Impaired $m	Total $m
Total trade receivables as at 31 December 2014	334	60	26	22	27	35	504
Related allowance for doubtful debts						(35)	(35)
	334	60	26	22	27	–	469
Chargebacks and other allowances							(85)
Net receivables							384

The Group establishes an allowance for impairment that represents its estimate of losses in respect of specific trade and other receivables, where it is deemed that a receivable may not be recoverable. When the receivable is deemed irrecoverable, the allowance account is written-off against the underlying receivable.

More details on the Group's policy for credit and concentration of risk management are provided in Note 30.

21. Collateralised and restricted cash

Collateralised and restricted cash amounted to $40 million, mainly represent restricted cash held in an escrow account ($38 million) related to the acquisition of EIMC United Pharmaceuticals (note 44), in addition to restricted cash retained against short-term bank transactions granted to the Group's Sudanese, Algerian, Jordanian and US operations. (2014: Sudanese, Egyptian, Algerian, Jordanian, and US operations of $8 million).

22. Cash and cash equivalents

	As at 31 December	
	2015 $m	2014 $m
Cash at banks and on hand	102	81
Time deposits	429	183
Money market deposits	22	16
	553	280

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

23. Other current assets

Other current assets mainly represents the agreement the Group entered with an asset management firm to manage a $20 million equity portfolio. This investment is measured at fair value and any changes in fair value go through other comprehensive income.

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. Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination.

This asset is classified as level 1 "quoted prices in active markets".

24. Bank overdrafts and loans

	As at 31 December	
	2015 $m	2014 $m
Bank overdrafts	8	19
Import and export financing	58	83
Short-term loans	4	227
Current portion of long-term loans (note 28)	45	64
	115	393

	2015 %	2014 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	6.19	5.50
Bank loans (including the non-current bank loans)	2.77	2.50
Eurobond	4.25	–
Import and export financing	3.09	3.34

Import and export financing represents short-term financing for the ordinary trading activities of the business.

2014: Short-term loans mainly represent a one year syndicated bridge loan of $225 million which was entered into on 7 July 2014. The bridge loan has been used to finance the acquisition of Bedford Laboratories and was fully repaid during year 2015.

25. Trade and other payables

	As at 31 December	
	2015 $m	2014 $m
Trade payables	139	129
Accrued expenses	122	105
Other payables	15	14
	276	248

Other payables mainly include employees' provident fund liability of $5 million (31 December 2014: $5 million), which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 5% interest.

26. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Hikma Group subsidiaries. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies.

Movements on the provision for end of service indemnity:

	2015 $m	2014 $m
1 January	25	20
Additions	5	7
Utilisation	(2)	(2)
31 December	28	25

27. Other current liabilities

	As at 31 December	
	2015 $m	2014 $m
Deferred revenue	16	46
Return and free goods provision	49	35
Others*	32	28
	97	109

* The others balance above includes rebate liabilities across the Group.

28. Long-term financial debts

	As at 31 December	
	2015 $m	2014 $m
Long-term loans	141	209
Long-term borrowings (Eurobond)	494	–
Less: current portion of loans (note 24)	(45)	(64)
Long-term financial loans	590	145
Breakdown by maturity:		
Within one year	45	64
In the second year	35	65
In the third year	20	51
In the fourth year	17	13
In the fifth year	513	9
Thereafter	5	7
	635	209
Breakdown by currency:		
US Dollar	589	173
Euro	3	6
Jordanian Dinar	–	4
Algerian Dinar	6	13
Saudi Riyal	1	–
Egyptian Pound	33	8
Tunisian Dinar	3	5
	635	209

The loans are held at amortised cost.

Long-term loans amounting to $8 million (2014: $12 million) are secured.

Included in the table above are the following major arrangements entered into by the Group:

a) A nine-year $110 million loan from the International Finance Corporation (IFC) was entered into on 19 December 2011. The loan has an outstanding balance of $41 million at year end (with a fair value of $40 million) and a $50 million unutilised available limit. Quarterly equal repayments for the term loan commenced on 15 November 2013 and will continue until 15 August 2020. The loan has been used to finance acquisitions in the MENA region and MENA's capital expenditure.

b) A US$500 million (with a fair value of $494 million) 4.25% Eurobond due in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and for general corporate purposes.

29. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015 $m	2014 $m	2015 $m	2014 $m
Amounts payable under finance leases:				
Within one year	2	2	1	1
In the second to fifth years inclusive	25	27	22	23
	27	29	23	24
Less: Interest lease charges	(4)	(5)		
Present value of minimum lease payments payable	23	24		

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 5 years (2014: 5 years). For the year ended 31 December 2015, the average effective borrowing rate was between 0.87% and 9.61% (2014: between 0.75% and 9.61%).

30. 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 balance sheet are net of allowances for doubtful debts, chargebacks, without recourse discounts, and other allowances. A provision for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments 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 2015, the Group's largest two customers in the MENA region represented 9.9% of Group revenue, 6.4% from one customer in Saudi Arabia, and 3.5% from a customer in Algeria. At 31 December 2015, the amount of receivables due from all customers based in Saudi Arabia was $119 million (2014: $110 million), and in Algeria was $66 million (2014: $46 million).

During the year ended 31 December 2015, three key US wholesalers represented 32.6% of Group revenue (2014: 37%). The amount of receivables due from all US customers at 31 December 2015 was $109 million (2014: $75 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 30-90 days, in Europe 30-120 days, and in MENA 180-360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

Market risk

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

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 funds, which include bank overdrafts and loans (note 24), obligations under finance leases (note 29), long-term financial debts (note 28), net of cash and cash equivalents (note 22), and collateralised and restricted cash (note 21).

30. Financial policies for risk management and their objectives continued

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 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 2015 the Group's gearing (Total debt/equity) was 54% (2014: 46%); the increase in the Group's gearing ratio is due to the issuance of a $500 million Eurobond.

Foreign exchange risk

The Group uses the US Dollar as its presentation currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian Dinar, Sudanese Pound, Japanese Yen, Egyptian Pound, Tunisian Dinar 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, Moroccan Dirham and the Egyptian Pound cannot be hedged. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian Dinar and Saudi Riyal had no impact on the consolidated income statement as those currencies are pegged against the US Dollar.

Interest rate risk

The Group manages its exposure to interest rate risk by changing the proportion of debt that is floating by entering into interest rate swap agreements. Using these derivative financial instruments has not had a material impact on the Group's financial position as at 31 December 2015 or the Group's results of operations for the year then ended.

	As at 31 December 2015			As at 31 December 2014		
	Fixed rate $m	Floating rate $m	Total $m	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	522	206	728	118	444	562
Financial assets						
Cash and cash equivalents	–	451	451	–	199	199

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2015, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2015, a 1% increase/decrease in interest rates would result in an additional $2.5 million (2014: $2.5 million) in interest expense/income being incurred per year.

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. Management classifies items that are recognised at fair value based on the level of 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

The Group has no material fair value financial assets and liabilities except the contingent consideration as disclosed below.

30. Financial policies for risk management and their objectives continued

The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents – 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 – approximates to the carrying amount because of the short maturity of these instruments;
- Long-term loans – the majority of the loans are variable rate and re-price in response to any changes in market rates and so management considers the carrying amount to be not significantly different from their fair market value. For fixed-rate loan exposures, fair value is estimated by discounting the 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;
- Over the counter (OTC) derivative contracts may include forward, swap, and option contracts relating to interest rates or foreign currencies and are valued based on level 2 market prices and prevailing exchange rates at the balance sheet date;
- Receivables and payables – the fair values of receivables and payables are estimated to be equal to the respective carrying amounts; and
- Lease obligations – are valued at the present value of the minimum lease payments.
- Contingent consideration – the key input into the contingent consideration Level 3 financial liabilities is the future profitability of the business to which the contingent consideration relates. The range of possible outcomes for the fair value of this liability is $nil to $75 million (31 December 2014: $nil to $75 million)
- Financial liability related to the co-development and earn out payment – the key input of the financial liabilities is dependent on the net revenues from the sale of products which are subject to an aggregate cap of $200 million.

Currency risk

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.

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

	Period end rates		Average rates	
	2015	2014	2015	2014
USD/EUR	0.9168	0.8226	0.9006	0.7523
USD/Sudanese Pound	9.6600	6.2696	9.6600	6.0277
USD/Algerian Dinar	107.1317	87.9245	100.4033	80.6145
USD/Saudi Riyal	3.7495	3.7495	3.7495	3.7495
USD/British Pound	0.6754	0.6437	0.6540	0.6068
USD/Jordanian Dinar	0.7090	0.7090	0.7090	0.7090
USD/Egyptian Pound	7.8309	7.1582	7.7160	7.0972
USD/Japanese Yen	120.3800	119.9500	121.0700	105.8700
USD/Moroccan Dirham	9.8476	9.0154	9.8008	9.0155
USD/Tunisian Dinar	2.0321	1.8612	1.9623	1.7001

The Jordanian Dinar and Saudi Riyal have no impact on the consolidated income statement as those currencies are currently pegged to the US Dollar.

30. Financial policies for risk management and their objectives continued

2015	Net foreign currency financial assets/(liabilities) US Dollar $m	Euro $m	Algerian Dinar $m	Japanese Yen $m	Others* $m
Functional currency of entity:					
– Jordanian Dinar	83	26	(29)	(1)	22
– Euro	(10)	–	–	–	–
– Algerian Dinar	(75)	(5)	–	–	–
– Saudi Riyal	24	(2)	–	(2)	–
– Sudanese Pound	(23)	–	–	–	–
– Egyptian Pound	(7)	(1)	–	–	–
– Tunisian Dinar	(4)	1	–	–	–
– Moroccan Dirham	(1)	(6)	–	–	–
– Lebanese Pound	(3)	–	–	–	(6)
– US Dollar	–	15	–	–	34
	(16)	28	(29)	(3)	50

* Others include Saudi Riyal and Jordanian Dinar.

2014	Net foreign currency financial assets/(liabilities) US Dollar $m	Euro $m	Algerian Dinar $m	Japanese Yen $m	Others* $m
Functional currency of entity:					
– Jordanian Dinar	112	(1)	(54)	–	29
– Euro	16	–	–	–	–
– Algerian Dinar	(72)	(6)	–	–	–
– Saudi Riyal	8	(2)	–	(1)	–
– Sudanese Pound	(16)	–	–	–	1
– Egyptian Pound	(19)	(3)	–	–	–
– Tunisian Dinar	(4)	1	–	–	–
– Lebanese Pound	(3)	–	–	–	(5)
– US Dollar	–	19	–	–	57
	22	8	(54)	(1)	82

* Others include Saudi Riyal and Jordanian Dinar.

A sensitivity analysis based on a 1% movement in foreign exchange rates has no material impact on the Group results and Group statement of changes in equity.

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

Notes to the Consolidated Financial Statements – *Continued*

30. Financial policies for risk management and their objectives continued

Liquidity risk of assets/(liabilities)

Liquidity risk

2015	Less than one year $m	Two to five years $m	More than five years $m	Total $m
Cash and cash equivalents	553	–	–	553
Trade receivables	432	–	–	432
Interest-bearing loans and borrowings	(72)	(666)	(5)	(743)
Interest-bearing overdrafts	(12)	–	–	(12)
Interest-bearing Import and Export loans	(59)	–	–	(59)
Trade payables and accruals	(261)	–	–	(261)
	581	(666)	(5)	(90)

2014	Less than one year $m	Two to five years $m	More than five years $m	Total $m
Cash and cash equivalents	280	–	–	280
Trade receivables	384	–	–	384
Interest-bearing loans and borrowings	(73)	(157)	(8)	(238)
Interest-bearing overdrafts	(248)	–	–	(248)
Interest-bearing Import and Export loans	(86)	–	–	(86)
Interest-bearing finance lease	(2)	(27)	–	(29)
Trade payables and accruals	(234)	–	–	(234)
	21	(184)	(8)	(171)

At 31 December 2015 the Group had undrawn facilities of $1,580 million (2014: $1,021 million). Of these facilities, $1,381 million (2014: $859 million) was committed and the remainder was uncommitted.

31. Derivative financial instruments

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. These contracts have nominal values of $4 million (2014: $100 million) and have fixed interest payments at rates ranging from 1.94% to 4.34% (2014: 1.41% to 4.34%) for periods up until 2017 and have floating interest receipts at LIBOR or EURIBOR.

The fair value of swaps entered into by the Group is estimated as a liability of $nil (2014: liability of $nil). These amounts are based on fair values provided by the banks that originated the swaps and are based on equivalent instruments at the balance sheet date. Some of these interest rate swaps are designated as effective cash flow hedges and the movement in fair value, totalling a gain of $nil (2014: gain of $1 million) has been reflected in other comprehensive income. The remaining outstanding interest rate swaps that the Group was committed to at the year-end are held at fair value through profit and loss.

The Group believes that the effect on the value of interest rate swaps by interest rate fluctuations will not materially affect the financial position of the Group.

32. Other non-current liabilities

Co-development and earnout payment agreement

The liability mainly relates to the fair value of future payments on a co-development and earnout agreement. Through this agreement, milestone payments dependent on successful clinical development of defined products are received by the Group. In return of receiving such milestone payments, the Group has agreed to pay the contracting party a certain percentage of future sales of those products. As at 31 December 2015, the liability associated with these earnout payments was adjusted to reflect the present value of the expected future cash outflows and the difference is presented as a financing cost.

33. Share capital

Issued and fully paid – included in shareholders' equity:

	2015		2014	
	Number 'm	$m	Number 'm	$m
At 1 January	199	35	198	35
Issued during the year	1	–	1	–
At 31 December	200	35	199	35

34. Non-controlling interests

	2015 $m	2014 $m
At 1 January	19	17
Share of profit	2	4
Dividends paid	(2)	(1)
Currency translation loss	(4)	(1)
At 31 December	15	19

35. Own shares

The Employee Benefit Trust (EBT) of Hikma holds 40,831 (2014: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Capita Trustees Limited, an independent trustee. The EBT acquired $nil (2014: $nil) shares and released $nil (2014: $nil) shares during the year. The market value of the Ordinary Shares held in the EBT at 31 December 2015 was $1 million (2014: $1 million). The book value of the retained own shares at 31 December 2015 is $1million (2014: $1 million). The Ordinary Shares held in the EBT will be used to satisfy long-term commitments arising from the employee share plans operated by the Company. Hikma holds $nil (2014: $nil) Ordinary Shares in treasury. During the year, the Company issued 753,079 Ordinary Shares.

36. Net cash from operating activities

	2015 $m	2014 $m
Profit before tax	318	362
Adjustments for:		
Depreciation, amortisation, and impairment of:		
Property, plant and equipment	51	49
Intangible assets	22	23
Investment in associate	7	–
(Gain)\ Loss on disposal of property, plant and equipment	(11)	1
Gain on disposal of intangible assets	–	(1)
Movement on provisions	3	5
Cost of equity-settled employee share scheme	15	8
Finance income	(3)	(4)
Interest and bank charges	57	38
Results from associates	2	6
Cash flow before working capital	461	487
Change in trade and other receivables	(78)	(16)
Change in other current assets	(1)	–
Change in inventories	4	2
Change in trade and other payables	28	24
Change in other current liabilities	3	7
Cash generated by operations	417	504
Income tax paid	(51)	(79)
Net cash generated from operating activities	366	425

37. Contingent liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $50 million (2014: $45 million).

The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacturing at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the profits on which individual Group companies are liable to tax.

Disagreements with, and between, revenue authorities as to intra-Group transactions, in particular the price at which goods and services should be transferred between Group companies in different tax jurisdictions, have the potential to produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories.

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.

38. Share-based payments

Equity-settled share option scheme

During the year ended 31 December 2015, the Company had one stock option compensation scheme settled by equity instruments, with four separate grant dates. The options over these instruments are settled in equity once exercised.

Details of the grants under the scheme are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Exercise price $	Expected volatility	Expected dividend yield	Expected average contractual life	Risk – free interest rate
4-Nov-2008	85,000	1.14	5.45	5.45	34.90%	1.21%	4.0 years	4.11%
29-Apr-2008	1,041,500	2.61	9.19	9.19	31.50%	0.08%	3.8 years	4.54%
13-Oct-2005	1,600,000	0.74	4.50	4.50	26.20%	6.67%	7.5 years	4.54%
12-Oct-2004	9,520,000	0.35	0.91	0.91	44.80%	3.85%	7.5 years	4.22%

All of the general employees share option plans have a ten-year contractual life and vesting conditions of 20% per year for five years beginning on the first anniversary of the grant date.

The estimated fair value of each share option granted in the general employee share option plans was calculated by applying a binomial option pricing model.

It was assumed that each option tranche will be exercised immediately after the vesting date.

Further details of the general employee share option plan are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price (in $)	Number of share options	Weighted average exercise price (in $)
Outstanding at 1 January	143,500	7.60	228,600	7.33
Exercised during the year	(79,700)	7.59	(61,100)	6.67
Expired during the year	(51,300)	7.10	(24,000)	0.91
Outstanding at 31 December	12,500	9.18	143,500	7.60
Exercisable at 31 December	12,500	9.18	143,500	7.60

The weighted average share price at the date of exercise for share options exercised during the year was $7.59. The options outstanding at 31 December 2015 had a weighted average remaining contractual life of less than three years.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three to four years.

Long-term incentive plan

The 2007 Long-Term Incentive Plan (LTIP) was approved by shareholders at the 2007 Annual General Meeting and the last grant was made under the LTIP during the year ended 31 December 2014. The LTIP is settled by equity instruments, with fifteen separate grant dates. Under the LTIP, conditional awards and $nil cost options were granted which vest after three years subject to a total shareholder return (TSR), revenue growth, earnings per share and return on invested capital performance conditions. The TSR condition measures the Group's TSR relative to a comparator group of other pharmaceutical companies. The TSR vesting schedule dictates that 20% of awards vest for median performance and 100% for upper quartile performance, with pro-rata vesting in between these points. No awards vest for performance which is below the median. The threshold and maximum performance requirements for the revenue growth, earnings per share and return on invested capital performance conditions are detailed in page 104 to 105 of the remuneration report and a measured against the audited financial statements for the closest three year financial period to the grant and vesting dates.

38. Share-based payments continued

Details of the grants under the plan are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected volatility	Expected dividend yield	Risk-free interest rate
3-Dec-2014	5,899	23.28	31.39	25.40%	0.71%	1.28%
11-Jun-2014	151,429	23.47	28.62	25.40%	0.71%	1.28%
29-May-2014	109,000	22.67	27.63	27.00%	0.73%	1.15%
3-Apr-2014	89,727	23.25	27.73	26.00%	0.72%	1.17%
6-Nov-2013	20,802	15.18	19.41	26.00%	0.89%	0.89%
17-May-2013	470,683	11.00	14.92	26.40%	1.10%	0.45%
16-Mar-2012	547,780	8.65	11.43	30.31%	1.14%	0.67%
18-Mar-2011	646,054	9.00	11.74	37.04%	1.11%	1.65%
22-Mar-2010	730,253	6.97	9.00	37.18%	1.20%	1.88%
19-May-2009	200,000	3.89	6.67	38.98%	1.22%	1.92%
19-Mar-2009	920,000	2.94	5.11	38.98%	1.47%	1.88%
29-Apr-2008	700,000	5.46	9.22	31.47%	0.08%	4.50%
10-Sep-2007	150,000	4.70	8.28	34.64%	0.08%	5.00%
23-Apr-2007	466,000	4.47	7.69	34.64%	0.08%	5.45%
2-Apr-2007	160,000	4.33	7.46	34.64%	0.08%	5.40%

All long-term incentive plans have ten years contractual life and vest after three years.

The estimated fair value of each share option granted in the LTIP was calculated by applying the Monte Carlo simulation methodology. For awards made from 2011, 50% of the award is subject to a TSR performance condition which was valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics which are valued by applying the Black-Scholes model. For further details see the remuneration committee report.

The exercise price of the share award is $nil.

Further details on the number of shares granted are as follows:

Year 2015	2014 grants 03 Dec Number	2014 grants 14 June Number	2014 grants 29 May Number	2014 grants 3 Apr Number	2013 grants 6 Nov Number	2013 grants 17 May Number	2012 grant 16 March Number	2007 grants 23 April Number	Total Number
Outstanding at 1 January	5,899	151,429	109,000	84,954	20,802	431,876	468,250	13,000	1,285,210
Granted during the year	–	–	–	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–	(440,430)	–	(440,430)
Expired during the year forfeitures	–	–	–	–	–	–	–	–	–
Expired during the year performance condition	–	–	–	–	–	–	–	–	–
Outstanding at 31 December	5,899	151,429	109,000	84,954	20,802	431,876	27,820	13,000	844,780
Exercisable at 31 December	–	–	–	–	–	–	27,820	13,000	40,820

38. Share-based payments continued

Year 2014	2014 grants 03 Dec Number	2014 grants 14 June Number	2014 grants 29 May Number	2014 grants 3 Apr Number	2013 grants 6 Nov Number	2013 grants 17 May Number	2012 grant 16 March Number	2011 grant 18 March Number	2010 grant 22 March Number	2007 grants 23 April Number	Total Number
Outstanding at 1 January	–	–	–	–	20,802	439,730	468,250	555,561	23,939	13,000	1,521,282
Granted during the year	5,899	151,429	109,000	89,727	–	–	–	–	–	–	356,055
Exercised during the year	–	–	–	–	–	–	–	(391,496)	(18,194)	–	(409,690)
Expired during the year forfeitures	–	–	–	(4,773)	–	(7,854)	–	–	–	–	(12,627)
Expired during the year performance condition	–	–	–	–	–	–	–	(164,065)	(5,745)	–	(169,810)
Outstanding at 31 December	5,899	151,429	109,000	84,954	20,802	431,876	468,250	–	–	13,000	1,285,210
Exercisable at 31 December	–	–	–	–	–	–	–	–	–	13,000	13,000

The cost of the LTIP of $5 million (2014: $5 million) has been recorded in the consolidated income statement as part of general and administrative expenses.

Management incentive plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to the Company satisfying awards under the MIP from newly issued shares. 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. The 2009 MIP awards were made at the start of the KPI performance period, whereas the 2011 awards and future awards will be made at the end of the KPI performance period.

Details of the grants under the plan are shown below:

Year 2015	2015 grants 14-May Number	2014 grants 11-Jun Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	219,296	229,081	448,377
Granted during the year	145,918	–	–	145,918
Exercised during the year	–	(725)	(211,554)	(212,279)
Expired during the year	(5,324)	(4,562)	(7,554)	(17,440)
Outstanding at 31 December	140,594	214,009	9,973	364,576

38. Share-based payments continued

Year 2014	2014 grants 11-Jun Number	2013 grants 17 May Number	2012 grants 18 May Number	Total Number
Outstanding at 1 January	–	243,534	370,468	614,002
Granted during the year	225,904	–	–	225,904
Exercised during the year	–	(5,722)	(348,506)	(354,228)
Expired during the year	(6,608)	(8,731)	(21,962)	(37,301)
Outstanding at 31 December	219,296	229,081	–	448,377

The cost of the MIP of $6 million (2014: $3 million) has been recorded in the consolidated income statement as part of general and administrative expenses.

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 share (element C) scheme. Under the EIP, the Company makes grants of conditional awards and $nil cost options 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 a forfeiture condition. 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 50% of the shares received from elements B and C for a period of five years from the date of grant.

Year 2015	2015 grants 15-May Number	2015 grants 10-Apr Number	Total Number
Beginning Balance	–	–	–
Granted during the year	118,000	338,808	456,808
Outstanding at 31 December	118,000	338,808	456,808

The cost of the EIP of $4 million (2014: $nil) has been recorded in the consolidated income statement as part of general and administrative expenses.

39. Operating lease arrangements

	2015 $m	2014 $m
Minimum lease payments under operating leases recognised in profit or loss for the year	8	5

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 $m	2014 $m
Within one year	4	2
In the two to five years inclusive	9	2
After five years	4	–
	17	4

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term of one to five years.

40. Related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and other related parties are disclosed below.

Trading transactions:

During the year, Group companies entered into the following transactions with related parties:

Darhold Limited: is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with an ownership percentage of 29.06% at end of 2015 (2014: 28.8%).Further details on the relationship between Mr Said Darwazah, Mr Mazen Darwazah and Mr Ali Al-Husry, and Darhold Limited are given in the Directors' Report.

Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Capital Bank - Jordan: is a related party of the Group because two Hikma Pharmaceuticals PLC board members are also board members of Capital Bank – Jordan. Additionally a senior member of Hikma management team is a board member of one company owned by Capital Bank - Jordan. Total cash balance at Capital Bank – Jordan as of 31 December 2015 was $9.4 million (31 December 2014: $5.7 million). Utilisation of facilities granted by Capital Bank – Jordan to the Group amounted to $nil (31 December 2014: $nil). Interest expense/income is within market rate.

Jordan International Insurance Company: is a related party of the Group because one board member of the Company is also a board member of Hikma Pharmaceuticals PLC. The Group's insurance expense for Jordan International Insurance Company contracts during the period was $0.5 million (2014: $0.2 million). The amounts due to Jordan International Insurance Company were $0.4 million (2014: $nil).

Labatec Pharma: is a related party of the Group because it is owned by the Darwazah family. During 2015, the Group total sales to Labatec Pharma amounted to $0.9 million (2014: $0.5 million). At 31 December 2015, the amount owed from Labatec Pharma to the Group was $0.2 million (31 December 2014: $ 0.1 million).

Arab Bank: is a related party of the Group because one Hikma Pharmaceuticals PLC senior management member is also a board member of Arab Bank PLC. Total cash balance at Arab Bank was $55.7 million (31 December 2014: $90.4 million). Utilisation of facilities granted by Arab Bank to the Group amounted to $56.6 million (31 December 2014: $115.0 million). Interest expense/income is within market rate.

American University of Beirut: is a related party of the Group because one board member of the Group is also a trustee of the University. During 2015, fees of $0.2 million (2014: $0.1 million) were paid. At 31 December 2015, the amount owed to American University of Beirut from the Group amounted to $nil (31 December 2014: $0.1 million).

HikmaCure: The Group holds a 50:50 joint venture (JV) agreement with MIDROC Pharmaceuticals Limited. The JV is called HikmaCure. Hikma and MIDROC invested in HikmaCure in equal proportions and have committed to provide up to $22 million each in cash of which $2.5 million has been paid in previous periods.

Unimark: During 2015, the Group has impaired the remaining investment balance related to Unimark Remedies Limited. The exceptional impairment of investment was $7 million. As at 31 December 2015, the Group held a non-controlling interest of 23.1% in Unimark Remedies Limited. During 2015, the Group paid an amount of $nil in relation to a products development agreement (2014: $2.5 million). Hikma's share in Unimark Remedies Limited is being divested during 2016 for minimal value.

Haosun: The Group held a non-controlling interest of 30.1% in Hubei Haosun Pharmaceutical Co., Ltd (Haosun) at 31 December 2015 (31 December 2014: 30.1%). During 2015, total purchases from Haosun were $ 0.6 million (2014: $1.0 million).

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive and Non-Executive Directors and certain of senior management as set out in the Directors' 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 102 to 124.

	2015 $m	2014 $m
Short-term employee benefits	14.1	15.7
Share-based payments	6.2	2.4
Post-employment benefits	0.1	0.1
Other benefits	0.1	0.2
	20.5	18.4

41. Subsidiaries

The subsidiaries of Hikma Pharmaceuticals PLC are as follows:

Company's name	Incorporated in	Ownership% Ordinary shares At 31 December 2015	Ownership% Ordinary shares At 31 December 2014
Hikma Pharma Algeria S.A.R.L	Algeria	100	100
Jazeera Pharmaceuticals Industries S.A.R.L	Algeria	99	99
Algerie Industrie Mediterraneene du Medicaments S.A.R.L	Algeria	97	97
Al Dar Al Arabia pour la Fabrication de Medicaments S.P.A	Algeria	100	100
Hikma Pharma SAE	Egypt	100	100
Hikma for Importation Co. LLC	Egypt	100	100
EPCI S.A.E	Egypt	100	100
Hikma Pharma Share Co	Ethiopia	50	50
Thymoorgan Pharmazie GmbH	Germany	100	100
Hikma Pharma GmbH	Germany	100	100
Thymoorgan GmbH	Germany	100	100
Hikma Italia S.P.A	Italy	100	100
Hikma Pharma Limited**	Jersey	100	100
Hikma Investment LLC**	Jordan	100	100
Hikma International Pharmaceuticals LLC	Jordan	100	100
Arab Medical Containers LLC	Jordan	100	100
Hikma Sofia Travel and Tourism	Jordan	100	100
International Pharmaceuticals Research Centre LLC	Jordan	51	51
Hikma Pharmaceuticals LLC	Jordan	100	100
Arab Pharmaceutical Manufacturing PSC	Jordan	100	100
Alkeena Pharmaceutical Industries LLC *	Jordan	100	100
Almotaqademah Pharmaceutical Industries LLC *	Jordan	100	100
Future Pharmaceutical Industries LLC	Jordan	100	100
Hikma CIS JSC	Kazakhstan	100	100
Hikma Pharma Kazakhstan	Kazakhstan	100	100
Al Jazeerah Pharmaceutical Industries Ltd	KSA	100	100
Hikma Liban S.A.R.L	Lebanon	67	67
Hikma Finance (Luxembourg) SARL**	Luxembourg	100	100
Societe de Promotion Pharmaceutique du Maghreb S.A	Morocco	94.1	94.1
Hikma International N.V**	Netherlands	100	100
Hikma Benelux B.V	Netherlands	100	100
Eurohealth N.V (Netherlands Antilles)**	Netherlands	100	100
Lifotec Farmaceutica S.G.P.S S.A**	Portugal	100	100
Hikma Farmaceutica S.A	Portugal	100	100
Pharma Ixir Co. ltd	Sudan	51	51
Savannah Pharmaceutical Industries	Sudan	100	100
Eurohealth International SARL	Switzerland	100	100
Societe Hikma Pharma Tunisie Ltd	Tunisia	100	100
Societe D'Industries Pharmaceutiques Ibn Al Baytar S.A	Tunisia	66	66
Societe Medicef Ltd	Tunisia	100	100
Arab Pharmaceutical Manufacturing Tunisie	Tunisia	100	100
AMKI Mena Holdings Ltd	UAE	100	100
Hikma Mena Holdings	UAE	100	100
Hikma Strategic Consultancy FZ-LLC	UAE	100	–
Hikma Limited**	UK	100	100
Hikma Acquisitions (UK) Limited**	UK	100	100
Hikmacure Limited	UK	50	50
Hikma Holdings (UK) Limited**	UK	100	100
Hikma UK Limited**	UK	100	100
West-Ward Pharma International Limited	UK	100	100
Hikma (Maple) Limited**	UK	100	100
West-Ward Holdings Limited**	UK	100	–
Eurohealth (USA) Inc (Delware)**	US	100	100
West-Ward Pharmaceutcal Corp (Delware)	US	100	100
West-Ward Injectables, Inc (Delware)	US	100	100
Bedford Property Holdings, Inc**	US	100	–
Hikma Americas Inc (Tennessee)	US	100	100

* Under Liquidation.

The group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services except for companies marked (**) which were incorporated as holding companies.

42. Defined contribution retirement benefit plan

Hikma Pharmaceuticals PLC has defined contribution retirement plans in three of its subsidiaries: Hikma Pharmaceuticals Limited (Jordan), West-Ward Pharmaceuticals Corp and Arab Pharmaceutical Manufacturing Co. The details of each contribution plan are as follows:

Hikma Pharmaceuticals LLC – Jordan:

The Group currently has an employee savings plan wherein the Group fully matches employees' contributions, which are fixed at 10% (up to 2011 was 5%) of salary. Employees are entitled to 30% of the Group contributions after three years of employment with the Group and an additional 10% for each subsequent year. Employees are entitled to 100% of the company contributions after ten years of employment with the company. The Group's contributions for the year ended 31 December 2015 were $2 million (2014: $2 million).

West-Ward Pharmaceuticals Corp: (401 (k) salary saving plan)

West-Ward Pharmaceutical Corp has a 401 (k) defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. All employees not covered by any collective bargaining agreement are eligible after being employed for one year. Employees can defer up to 95% of their gross salary into the plan, not to exceed $18,000 and $17,500 for 2015 and 2014 respectively, not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches 40% of the employees' eligible contribution. Employer contributions do not vest for up to two years of service, 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 2015 were $3 million (2014: $2 million).

Arab Pharmaceutical Manufacturing PSC – Jordan:

The Group currently has an employee saving plan wherein the employees contribute at 10%, and the company at 15% of basic salary. After three years of employment with the company, employees are entitled to 50% of the company contributions and 100% after five years of employment with the company. The Group's contributions for the year ended 31 December 2015 were $1 million (2014: $1 million).

The assets of the plans are held separately from those of the Group. The only obligation of the Group with respect to the retirement benefit plans is to make specified contributions.

43. Acquisition of a business

On 15 July 2014 Hikma completed its acquisition of the US generic injectables business, Bedford Laboratories (Bedford) from Ben Venue Laboratories, Inc. (Ben Venue), a member of the Boehringer Ingelheim Group of Companies. The consideration for the acquisition comprised of an upfront cash payment of $225 million which was paid on 15 July 2014 and contingent cash payments which are, subject to the achievement of performance-related milestones over a period of five years from closing the transaction.

A reduction of $8 million was made to the provisional goodwill recognised on the acquisition of Bedford as a result of the adjustment to inventory, property plant and equipment and deferred tax made prior to the end of the measurement period on 15 July 2015.

44. Subsequent events

a) On 28 July 2015 Hikma announced that it has agreed to acquire Roxane Laboratories Inc. and Boehringer Ingelheim Roxane Inc. (together, "Roxane"), from Boehringer Ingelheim (Boehringer). Roxane is a well-established US specialty generics company with a highly differentiated product portfolio and best-in-class R&D capabilities.

On closing the transaction on 29 February 2016, Hikma paid cash consideration of $575 million (net of certain working capital and other adjustments) and issued 40 million Ordinary Shares to Boehringer (representing an estimated 16.71 per cent. of Hikma issued share capital immediately following the issuance). The total consideration paid was approximately $1.6 billion based on Hikma's share price of £18.81 and the US:GBP exchange rate of 1.3879:1 on 29 February 2016. Hikma has also agreed to make further cash payments of up to $125 million, contingent to the achievement of certain US FDA approval milestones, depending on specific product, type of approval and dosage approval and further exclusivity and ten-year quarterly sales based contingent payments once the products are commercialised.

b) On 8 September 2015 Hikma announced that it has agreed to acquire 97.73% of the share capital of EIMC United Pharmaceuticals (EUP) from a consortium of shareholders. EUP is a pharmaceutical manufacturing company specialising in oncology products. The acquisition of EUP will strengthen Hikma's position in the large and fast growing Egyptian market, add an attractive portfolio and pipeline in the key strategic areas of oncology and injectables, add a manufacturing facility in Egypt, with both oral and injectable lines, and leverage Hikma's established market position in Egypt and strong sales and marketing team. An amount of $ 38 million was held in an escrow account related to the acquisition of EUP as of 31 December 2015 (note 21). The acquisition was completed on 17 February 2016.

Due to the proximity of the completion date of both transactions to the date of issuance of the financial statements, the initial accounting for the business combination is in progress and as such it is not practical to disclose the Purchase Price Allocation.

Financial Statements – *Continued*

Company Balance Sheet

At 31 December 2015

	Note	2015 $m	2014 $m
Non-current assets			
Intangible assets	47	197	51
Financial and other non-current assets		8	–
Investments in subsidiaries	48	1,888	2,033
Due from subsidiaries and sister companies	49	115	149
		2,208	2,233
Current assets			
Inventories		4	–
Other current assets	50	22	1
Cash and cash equivalents	51	363	143
Collateralised and restricted cash		–	5
Due from subsidiaries and sister companies	49	117	85
Other receivables		3	2
		509	236
Total assets		2,717	2,469
Current liabilities			
Other payables	52	2	1
Other current liabilities		22	9
Short term debt	53	–	247
Due to subsidiaries and sister companies	54	42	15
		66	272
Net current assets		443	(36)
Non-current liabilities			
Long-term financial debts	55	495	41
Due to subsidiaries and sister companies	54	45	147
Other non-current liabilities	56	18	–
		558	188
Total liabilities		624	460
Net assets		2,093	2,009
Equity			
Share capital	63	35	35
Share premium	64	282	281
Own shares		(1)	(1)
Other reserves		1,777	1,694
Equity attributable to equity holders of the parent		2,093	2,009

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, were approved by the Board of Directors and signed on its behalf by:

Said Darwazah
Director

Mazen Darwazah
Director

15 March 2016

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Paid up capital $m	Share premium $m	Own shares $m	Merger reserve $m	Retained earnings $m	Total $m
Balance at 1 January 2014	35	281	(3)	707	675	1,695
Cost of equity settled employee share scheme	–	–	–	–	8	8
Exercise of employees long term incentive plan	–	–	2	–	(2)	–
Profit for the year	–	–	–	–	361	361
Dividends paid	–	–	–	–	(55)	(55)
Balance at 31 December 2014 and 1 January 2015	35	281	(1)	707	987	2,009
Issue of equity shares	–	1	–	–	–	1
Cost of equity settled employee share scheme	–	–	–	–	15	15
Profit for the year	–	–	–	–	133	133
Dividends paid	–	–	–	–	(64)	(64)
Cumulative effect of change in fair value	–	–	–	–	(1)	(1)
Balance at 31 December 2015	**35**	**282**	**(1)**	**707**	**1,070**	**2,093**

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts.

Financial Statements – *Continued*

Company Cash Flow Statement

for the year ended 31 December 2015

	2015 $m	2014 $m
Profit before tax	133	361
Adjustments for:		
Depreciation, amortisation and impairment of:		
Amortisation of intangible assets	1	–
Cost of equity-settled employee share scheme	3	2
Finance income	(4)	(3)
Interest and bank charges	33	10
Change in other current assets	1	–
Change in other payables	1	–
Change in inventory	(4)	–
Change in other receivables	(1)	–
Change in amounts due from/to subsidiaries	15	51
Change in other current liabilities	5	5
Net cash from operating activities	183	426
Investing activities		
Change in amounts due from subsidiaries	(70)	(131)
Purchase of intangible assets	(31)	–
Investments designated at fair value	(20)	–
Investment in subsidiaries	24	1
Acquisition of business undertakings net of cash acquired	–	(225)
Interest income	4	3
Net cash used in investing activities	(93)	(352)
Financing activities		
Decrease/(Increase) in collateralised cash	5	(4)
Proceeds from issue of new shares	1	-
Increase/(Decrease) in long-term financial debts	446	(91)
(Decrease)/Increase in short-term debts	(247)	225
Interest paid	(27)	(9)
Dividends paid	(64)	(55)
Cumulative effect of change in fair value	(1)	–
Proceeds from co-development and earnout payment agreement	17	–
Net cash generated from financing activities	130	66
Net increase in cash and cash equivalents	220	140
Cash and cash equivalents at beginning of year	143	3
Cash and cash equivalents at end of year	363	143

45. Adoption of new and revised standards

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

46. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and UK company law.

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 to the consolidated financial statements with the addition of the policies noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Equity-settled employee share schemes are accounted for in accordance with IFRIC 11 'Group and Treasury Share Transactions', whereby current charge expenses relating to the subsidiaries' employees are recharged to subsidiary companies.

47. Intangible assets

	Goodwill $m	Product related intangibles $m	Software $m	Total $m
Cost				
Balance at 1 January 2014	–	–	–	–
Acquisition of business	51	-	-	51
Balance at 1 January 2015	**51**	**–**	**–**	**51**
Additions/transfers from sister companies	–	145	10	155
Remeasurement (note 43)*	(8)	–	–	(8)
Balance at 31 December 2015	**43**	**145**	**10**	**198**
Amortisation				
Balance at 1 January 2014	–	–	–	–
Charge for the year	–	–	–	–
Balance at 1 January 2015	**–**	**–**	**–**	**–**
Charge for the year	–	(1)	–	(1)
Balance at 31 December 2015	**–**	**(1)**	**–**	**(1)**
Carrying amount				
At 31 December 2015	**43**	**144**	**10**	**197**
At 31 December 2014	51	–	–	51

* An adjustment of $8 million was made to the provisional goodwill recognised on the acquisition of Bedford as a result of the adjustment to property, plant and equipment, inventory and deferred taxes made prior to the end of the measurement period on15 July 2015 (note 43).

Notes to the Company Financial Statements – *Continued*

48. Investments in subsidiaries

Investments in subsidiaries represent the following:

Company's name	Incorporated in	Ownership% Ordinary shares at 31 December 2015	Ownership% Ordinary shares at 31 December 2014
Hikma Limited	UK	100	100
Hikma Pharma Limited	Jersey	100	100
Hikma Acquisitions (UK) Limited	UK	100	100
Al Jazeera Pharmaceutical Industries Ltd	KSA	52.5*	52.5*
Hikma MENA Holdings	UAE	100	100
AMKI MENA Holdings Ltd	UAE	100	100
Hikma International N.V	Netherlands	100	100
Eurohealth International SARL	Switzerland	100	100
Hikma Finance (Luxembourg) SARL	Luxembourg	100	100

The investments in subsidiaries are all stated at cost.

* The remaining shares are held by other Group companies.

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

	2015 $m	2014 $m
Beginning balance	2,033	1,678
Additions	–	355
Reduction of paid up capital	(145)	–
Ending balance	1,888	2,033

The 2014 additions relate to a capital increase in Hikma Finance (Luxembourg) SARL ($318 million) and a capital contribution to Eurohealth International SARL ($37 million).

In 2015, the capital of Hikma Finance (Luxembourg) SARL was reduced by $108 million. In addition, the capital contribution of $37 million to Eurohealth International SARL was reversed as the conditions of the contribution were not satisfied. Part of this capital reduction is related to the transfer of intangibles from sister companies.

49. Due from subsidiaries and sister companies

Non current assets

	2015 $m	2014 $m
West-Ward Pharmaceuticals Corp.	56	74
Hikma Italia S. P. A	5	4
Hikma MENA Holdings	7	18
Hikma International Pharmaceuticals LLC	–	7
Eurohealth International SARL	47	46
	115	149

These balances represent loans that carry interest of 1.5% to 4.8% (2014: 2.0% to 4.8%) per annum charged on the outstanding loan balances.

Current assets

	2015 $m	2014 $m
Hikma Farmaceutica S.A	–	1
Hikma UK Limited	88	56
Hikma Limited – UK	–	1
Hikma MENA Holdings	7	23
West-Ward Pharmaceutical Corp.	–	1
Hikma Pharma SAE	2	–
Eurohealth International SARL	17	–
Hikma finance (Luxembourg) SARL	3	–
Others	–	3
	117	85

50. Other current assets

Other current assets mainly represents the agreement the Group entered with an asset management firm to manage a $20 million portfolio. This investment is measured at fair value and any changes in fair value go through other comprehensive income.

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. Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination.

This asset is classified as level 1 "quoted prices in active markets".

Notes to the Company Financial Statements – *Continued*

51. Financial assets

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

52. Financial liabilities

Other payables

The Directors consider that the carrying amount of other payables approximates to their fair value.

53. Short term debt

In the previous year, short term debt mainly represented a one year syndicated bridge loan of $225 million which was entered into on 7 July 2014. The bridge loan has been used to finance the acquisition of Bedford Laboratories (note 24).

54. Due to subsidiaries and sister companies

Non-current liabilities

	2015 $m	2014 $m
Hikma Pharmaceuticals LLC	–	100
Hikma (Maple) Limited	44	44
Hikma Investment LLC	1	–
Eurohealth International SARL	–	3
	45	147

Current liabilities

	2015 $m	2014 $m
Hikma Investment LLC	5	15
West-Ward USA	31	–
Hikma Farmaceutica S.A	2	–
Thymoorgan GmbH	3	–
Others	1	–
	42	15

Amounts due to sister company of $42 million (2014: $15 million) represent non-interest-bearing loan repayable on demand.

55. Long-term financial debts

A US$500 million (with a fair value of $494 million) 4.25% Eurobond due April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and for general corporate purposes.

56. Other non-current liabilities

Co-development and earnout payment agreement

The liability mainly relates to the fair value of future payments on a co-development and earnout agreement. Through this agreement milestone payments, dependent on successful clinical development of defined products, are received by the Group. In return of receiving such milestone payments, the Group agreed to pay the contracting party a certain percentage of future sales of those products. As at 31 December 2015, the liability associated with these earnout payments was adjusted to reflect the present value of the expected future cash outflows and the difference is presented as a financing cost.

57. Financial policies for risk management and their objectives

Currency risk

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. The following table illustrates financial assets and liabilities for the Company in different currencies:

	Liabilities		Assets	
	2015 $m	2014 $m	2015 $m	2014 $m
British Pound	–	–	1	–

A sensitivity analysis based on a 1% movement in foreign exchange rates has no material impact on the Company results and Company statement of changes in equity.

Further details on how the Company manages the currency risk are given in Note 30.

Interest rate risk

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2015, with all other variables held constant. Based on the composition of the Company debt and cash portfolio as at 31 December 2015, a 1% increase/decrease in interest rates would result in an additional interest income of $4 million being incurred per year (2014: $1 million of interest expense incurred).

Liquidity risk

2015	Less than one year $m	Two to five years $m	Total $m
Cash and cash equivalents	363	–	363
Accounts receivable	3	–	3
Interest bearing loans and borrowings	(20)	(567)	(587)
Other payables	(2)	–	(2)
	344	(567)	(223)

2014	Less than one year $m	Two to five years $m	Total $m
Cash and cash equivalents	148	–	148
Accounts receivable	2	–	2
Interest bearing loans and borrowings	(253)	(51)	(304)
Other payables	(1)	–	(1)
	(104)	(51)	(155)

The Company believes that, given the Group's operating cash flow during 2015, it has the ability to satisfy its liability commitments.

Notes to the Company Financial Statements – *Continued*

58. Staff costs

Hikma Pharmaceuticals PLC currently has sixteen employees (2014: sixteen) (excluding Executive Directors); total compensation paid to them amounted to $4 million (2014: $4 million) of which salaries and wages compromise an amount of $3 million (2014: $3 million) the remaining balance of $1 million (2014: $1 million) represents national insurance contributions, the cost of share-based payments and other benefits.

59. Stock options

The details of the stock compensation scheme are provided in note 38. As at 31 December 2015, the total number of options granted to employees of the Company under the stock compensation scheme during the life of the scheme was 2,560,000 (2014: 2,560,000) and the total amount of compensation expenses charged to profit or loss is $nil (2014: $nil).

60. Long-term incentive plans

The details of the LTIP scheme are provided in note 38. As at 31 December 2015, the total number of awards granted to employees of the Company under the LTIPs during the life of the plans was 1,649,615 shares (2014:1,649,615) and the total amount of the compensation expenses charged to profit and loss is $2 million (2014: $2 million).

61. Management incentive plans

The details of the MIP scheme are provided in note 38. As at 31 December 2015, the total number of awards granted to employees of the Company under the MIP during the life of the plans was 18,383 shares (2014:15,834 shares) and the total amount of the compensation expenses charged to profit and loss is $nil (2014: $nil).

62. Executive incentive plans

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The details of the EIP scheme are provided in note 38. As at 31 December 2015, the total number of awards granted to employees of the Company under the EIP during the life of the plans was 153,209 shares and the total amount of the compensation expenses charged to profit and loss is $1 million.

63. Share capital

Issued and fully paid – included in shareholders' equity:	2015 $m	2014 $m
199,421,287 (2014: 198,632,039) Ordinary Shares of 10p each	35	35

Details of the issue of share capital in the year are given in Note 33.

64. Share premium

	Share premium $m
Balance at 1 January 2015	281
Premium arising on exercise of stock options	1
Balance at 31 December 2015	282

65. Net income for the year

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these accounts. The net income in the Company for the year is $133 million (2014: $361 million).

Included in the net income for the year is an amount of $202 million (2014: $398 million) representing dividends received and $3 million (2014: $2 million) representing the current year charge of LTIPs and EIPs. The remaining $12 million (2014: $6 million) of the Group's stock options, LTIPs, MIPs and EIPs charge is recharged to subsidiary companies.

66. Related parties

Darhold Limited: is a related party of the Group because it is considered one of the major shareholders of Hikma Pharmaceuticals PLC with an ownership percentage of 29.06% at end of 2015 (2014: 28.8%).Further details on the relationship between, Mr Said Darwazah, Mr Mazen Darwazah and Mr Ali Al-Husry, and Darhold Limited are given in the Directors' Report.

Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the period

Arab Bank: is a related party of the Company because one Hikma Pharmaceuticals PLC senior management member is also a board member of Arab Bank PLC. Total cash balances at Arab Bank were $5.1 million (31 December 2014: $47.6 million). Utilisation of facilities granted by Arab Bank to the Company amounted to $nil (31 December 2014: $ 37.4 million). Interest expense/income is within market rate.

Amounts repayable to and from subsidiaries are disclosed in Notes 49 and 54.

Other transactions with related parties include management charges for services provided to the subsidiary companies, equity settled employee share scheme costs relating to the subsidiary companies and transactions with key management personnel. Compensation paid to key management personnel is disclosed in Note 40. Details of Directors remuneration are disclosed in the Remuneration Committee Report on pages 102 to 124.

More details on the general information of the ultimate parent of the Group are disclosed in Note 2.

67. Contingent liabilities

A contingent liability existed at the balance sheet date in respect of Standby Letter of Credit totalling to $9 million (2014: $nil).

Shareholder Information

2016 financial calendar

7 April	2015 final dividend ex-dividend date
8 April	2015 final dividend record date
12 May	Annual General Meeting
19 May	2015 final dividend paid to shareholders
24 August*	2016 interim results and interim dividend announced
1 September*	2016 interim dividend ex-dividend date
2 September*	2016 interim dividend record date
30 September*	2016 interim dividend paid to shareholders

* Provisional dates.

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to the Company's registrars, Capita Registrars either:

- in writing to Shareholder Services, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
- by telephone from within the UK on 0870 162 3100;
- by telephone from outside the UK on +44 208 639 2157; or
- through the website www.capitaregistrars.co.uk.

Dividend payments – Currency

The Company 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 Pounds 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 shareholders' 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 the Company's website www.hikma.com.

Share listings

London Stock Exchange

The Company's Ordinary 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 Pharmaceuticals PLC shares can be found on the London Stock Exchange website www.londonstockexchange.com.

Global Depository Receipts

The Company 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 Pharmaceuticals PLC GDRs can be found on the website www.nasdaqdubai.com.

American Depository Receipts (ADRs)

Hikma Pharmaceuticals PLC has an ADR programme for which BNY Mellon acts as Depositary. One ADR equates to 2 Hikma Ordinary Shares. ADRs 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. Over the last year many companies have become aware that shareholders 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.fsa.gov.uk/register;

Report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/consumers/scams;

If the caller persists, hang up.

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

The Company's website is www.hikma.com and the registered office is 13 Hanover Square, London W1S 1HW.
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