Independent auditor's report to the members of Shire plc

Opinion on the financial statements of Shire plc

In our opinion the consolidated financial statements of Shire plc and subsidiaries (together the "Group"):

- give a true and fair view of the state of Shire plc and subsidiaries' affairs (together the Group) as at December 31, 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

The financial statements comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related Notes 1 to 31. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and accounting principles generally accepted in the United States of America.

Going concern

We have reviewed the Directors' statement on page 106 that the Group is a going concern.

We confirm that:

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

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
The acquisition of ViroPharma Inc ("ViroPharma") The Director's determination of the purchase price allocation for the acquisition of ViroPharma is included at Note 4. We identified a risk that the allocation of purchase price to acquired assets and liabilities in relation to the ViroPharma acquisition are not appropriate. The underlying judgments made in arriving at fair value include key assumptions as to: > the product market, pricing and patient growth over the life cycle of the intangible assets relating to the currently marketed products CINRYZE, PLENADREN® and BUCCOLAM®; > the probabilities of clinical success for In Process Research & Development intangible assets, taking into account the stage of completion and the remaining risks and uncertainties surrounding the future development and commercialisation; and > other factors such as units of account, applicable tax rate and discount factors. This has been highlighted as a significant risk due to its size (consideration of $3,997 million) and the complexity of judgments required.	In order to assess the allocation of the purchase price to acquired ViroPharma assets and liabilities we have the tested the Group's relevant controls and performed testing including the following specific procedures: > verified the consideration paid and the structure of the acquisition as reflected in the financial statements to the executed agreements; > assessed the qualifications and experience of key specialists engaged by the Group; > considered the Directors use of specialist's input and the Directors' underlying judgments in determining the key assumptions for both currently marketed products and In Process Research & Development assets; > considered the appropriateness of valuation methodologies used and the accuracy of calculations; and > considered the residual goodwill arising against benchmarks arising from other large transactions in the pharmaceutical sector.
US rebates and sales deductions A description of the key accounting policy for sales deductions is included at note 2(d). The Directors are required to make certain judgments in respect of the level of rebates and other sales deductions that will be realized against the Group's sales. The most significant of these judgments relate to rebates for Medicaid and Managed Care programs in the US for the Neuroscience, GI and IM business units. As at 31 December 2014 the Group held accrued rebates of $564 million and $318 million for Medicaid and Managed care respectively. The key elements of the judgments relating to Medicaid and Managed Care rebates include: > the size of the wholesale and retail inventory pipeline; > the proportion of the inventory pipeline that will attract specific rebates; and > the future value of rebate per unit expected to be applicable. We identified a risk that these judgments are not appropriate and as a result rebate liabilities and sales deductions are recorded at an incorrect level.	We have considered the Group's processes for making judgments in this area and performed the following procedures: > considered the appropriateness of the process and tested the controls adopted by management in determining the accounting for rebates and other sales deductions; > undertaken an analysis of the historical accuracy of judgments by reference to actual rebates paid in prior periods; > confirmed rebate levels accrued during the year against subsequent payments; > analysed and recalculated components the year end liability based on contracted and statutory rebate rates; and > challenged the key elements of judgments that were made in the period in light of externally verifiable data and industry practice. We also evaluated the presentation and disclosure of the transactions within the Group financial statements.

Independent auditor's report to the members of Shire plc
(continued)

Risk	How the scope of our audit responded to the risk
Complex tax judgments As Shire transacts globally within a complex group structure, significant judgment is required in determining the level of tax provisions. We identified a risk that the judgments made by the Directors are inappropriate. In the current year the most significant judgment related to the tax treatment of the break fee of $1.6billion received from AbbVie Inc ("AbbVie"). As disclosed in Note 26 the Directors have assessed the tax treatment of the $1.6billion AbbVie break fee and concluded that this receipt should not be taxable in Ireland.	We have reviewed and challenged management's conclusion by: > reviewing the Group's submission to the Irish tax authorities and the advice received by the Group from third party legal counsel and other advisors; > consulting with our own taxation experts to consider the associated fact pattern and to challenge the judgments made; and > testing the appropriateness of the process and controls adopted by management in making the key judgments and the controls over the entity prepared documents used in the control.

The impairment of In Process Research & Development intangible assets has not been separately reported on in the current year because we focused principally on assets acquired in the acquisition of ViroPharma as set out above.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 67.

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.

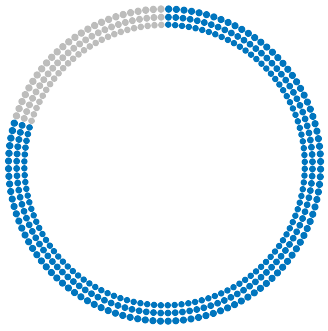
We determined materiality for the Group to be $70 million (2013: $60 million), which is below 5% (2013: 5%) of adjusted pre-tax profit, and below 2% (2013: 2%) of equity. Pre-tax profit has been adjusted by removing the impact of one off items such as impairments of intangible assets (see Note 26) and the $1.6 billion break fee received from AbbVie. In the prior year we also adjusted our materiality calculation to exclude the derecognition of the Group's contingent consideration liability in respect of SARcode.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $3 million (2013: $3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report 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 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 in four territories; US (based in Lexington MA, and Chesterbrook PA), UK, Ireland and Switzerland. These locations represent the principal operations and account for 99% (2013: 94%) of the Group's net assets, 80% (2013: 82%) of the Group's revenue.



Full audit scope	80
Review scope	20

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 the four locations was performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

At Group level we also audited 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 full scope audit procedures.

The Group audit team follows a program of planned site visits that is designed to ensure that the Senior Statutory Auditor or his designate visits each of the full scope locations during the year. In addition to this the Group audit team will visit other locations not in full scope on a rotational basis.

Opinion on other matters prescribed by engagement letter

In our opinion:

- the financial statements have been properly prepared in accordance with the provisions of the Companies Act 2006 that would have been applied were the Group incorporated in the United Kingdom;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have been applied were the Group incorporated in the United Kingdom; 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 (Jersey) Law 1991 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
- proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of 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 Article 113A of the Companies (Jersey) Law 1991. 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/or those further matters we expressly agreed to report to them on in our engagement letter 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 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.

James Bates
For and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditors
London, United Kingdom
February 24, 2015

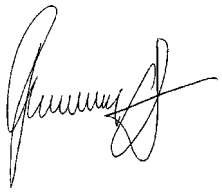
Consolidated balance sheets

(In millions of US dollars, except share data)

	Notes	December 31, 2014 $'M	December 31, 2013 $'M
Assets			
Current assets:			
Cash and cash equivalents		**2,982.4**	2,239.4
Restricted cash		**54.6**	22.2
Accounts receivable, net	8	**1,035.1**	961.2
Inventories	9	**544.8**	455.3
Assets held for sale		**–**	31.6
Deferred tax asset	28	**344.7**	315.6
Prepaid expenses and other current assets	11	**221.5**	263.0
Total current assets		**5,183.1**	4,288.3
Non-current assets:			
Investments		**43.7**	31.8
Property, plant and equipment, net	12	**837.5**	891.8
Goodwill	13	**2,474.9**	624.6
Other intangible assets, net	14	**4,934.4**	2,312.6
Deferred tax asset	28	**112.1**	141.1
Other non-current assets		**46.4**	32.8
Total assets		**13,632.1**	8,323.0
Liabilities and equity			
Current liabilities:			
Accounts payable and accrued expenses	15	**1,909.4**	1,688.4
Short term borrowings	17	**850.0**	–
Other current liabilities	16	**262.5**	119.5
Total current liabilities		**3,021.9**	1,807.9
Non-current liabilities:			
Deferred tax liability	28	**1,210.6**	560.6
Other non-current liabilities	18	**736.7**	588.5
Total liabilities		**4,969.2**	2,957.0
Commitments and contingencies	19		
Equity:			
Common stock of 5p par value; 1,000 million shares authorized; and 599.1 million shares issued and outstanding (2013: 1,000 million shares authorized; and 597.5 million shares issued and outstanding)	23	**58.7**	58.6
Additional paid-in capital		**4,338.0**	4,186.3
Treasury stock: 10.6 million shares (2013: 13.4 million shares)	23	**(345.9)**	(450.6)
Accumulated other comprehensive (loss)/income	20	**(31.5)**	110.2
Retained earnings		**4,643.6**	1,461.5
Total equity		**8,662.9**	5,366.0
Total liabilities and equity		**13,632.1**	8,323.0

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board and signed on its behalf by:



Dr. Flemming Ornskov
Chief Executive Officer
February 24, 2015

Consolidated statements of income

(In millions of US dollars, except share and per share data)

	Notes	2014 $'M	2013 $'M	2012 $'M
Revenues:				
Product sales		**5,830.4**	4,757.5	4,252.9
Royalties		**160.8**	153.7	241.6
Other revenues		**30.9**	23.1	32.9
Total revenues		**6,022.1**	4,934.3	4,527.4
Costs and expenses:				
Cost of product sales		**979.3**	670.8	585.8
Research and development[1]		**1,067.5**	933.4	953.0
Selling, general and administrative[1]		**2,025.8**	1,651.3	1,948.0
Goodwill impairment charge	13	**–**	7.1	–
Gain on sale of product rights	5	**(88.2)**	(15.9)	(18.1)
Reorganization costs	6	**180.9**	88.2	–
Integration and acquisition costs	7	**158.8**	(134.1)	13.5
Total operating expenses		**4,324.1**	3,200.8	3,482.2
Operating income from continuing operations		**1,698.0**	1,733.5	1,045.2
Interest income		**24.7**	2.1	3.0
Interest expense		**(30.8)**	(38.1)	(38.2)
Other income/(expense), net		**8.9**	(3.9)	(2.2)
Receipt of break fee	26	**1,635.4**	–	–
Income from continuing operations before income taxes and equity in earnings of equity method investees		**3,336.2**	1,693.6	1,007.8
Income taxes	28	**(56.1)**	(277.9)	(203.1)
Equity in earnings of equity method investees, net of taxes		**2.7**	3.9	1.0
Income from continuing operations, net of taxes		**3,282.8**	1,419.6	805.7
Gain/(loss) from discontinued operations, net of taxes	10	**122.7**	(754.5)	(60.3)
Net income		**3,405.5**	665.1	745.4
Earnings per Ordinary Share – basic				
Earnings from continuing operations		**559.6c**	257.2c	145.1c
Gain/(loss) from discontinued operations	1	**20.9c**	(136.7c)	(10.9c)
Earnings per ordinary share – basic		**580.5c**	120.5c	134.2c
Earnings per ordinary share – diluted				
Earnings from continuing operations		**555.2c**	245.3c	141.0c
Gain/(loss) from discontinued operations	1	**20.8c**	(127.8c)	(10.1c)
Earnings per ordinary share – diluted		**576.0c**	117.5c	130.9c
Weighted average number of shares (millions):				
Basic	24	**586.7**	552.0	555.4
Diluted	24	**591.3**	590.3	593.5

[1] Research and development ("R&D") includes intangible asset impairment charges of $190.3 million for the year to December 31, 2014 (2013: $19.9 million, 2012: $71.2 million). Selling, general and administrative ("SG&A") costs include amortization of intangible assets relating to intellectual property rights acquired of $243.8 million for the year to December 31, 2014 (2013: $152.0 million, 2012: $280.3 million).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income
(In millions of US dollars)

	2014 $'M	2013 $'M	2012 $'M
Net income	**3,405.5**	665.1	745.4
Other comprehensive income:			
Foreign currency translation adjustments	**(136.1)**	25.3	23.7
Unrealized holding (loss)/gain on available-for-sale securities (net of taxes of $1.3 million, $0.1 million and $2.5 million)	**(5.6)**	(2.0)	2.9
Comprehensive income	**3,263.8**	688.4	772.0

The components of accumulated other comprehensive income as at December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014 $'M	December 31, 2013 $'M
Foreign currency translation adjustments	**(25.7)**	110.4
Unrealized holding loss on available-for-sale securities, net of taxes	**(5.8)**	(0.2)
Accumulated other comprehensive (loss)/income	**(31.5)**	110.2

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity
(In millions of US dollars, except share data)

	Shire plc shareholders' equity						
	Common stock Number of shares M's	Common stock $'M	Additional paid-in capital $'M	Treasury stock $'M	Accumulated other comprehensive (loss)/income $'M	Retained earnings $'M	Total equity $'M
As at January 1, 2014	597.5	58.6	4,186.3	(450.6)	110.2	1,461.5	5,366.0
Net income	–	–	–	–	–	3,405.5	3,405.5
Other comprehensive loss, net of tax	–	–	–	–	(141.7)	–	(141.7)
Options exercised	1.6	0.1	15.1	–	–	–	15.2
Share-based compensation	–	–	97.0	–	–	–	97.0
Tax benefit associated with exercise of stock options	–	–	39.6	–	–	–	39.6
Shares released by Employee Benefit Trust ("EBT") to satisfy exercise of stock options	–	–	–	104.7	–	(102.2)	2.5
Dividends	–	–	–	–	–	(121.2)	(121.2)
As at December 31, 2014	599.1	58.7	4,338.0	(345.9)	(31.5)	4,643.6	8,662.9

The accompanying notes are an integral part of these consolidated financial statements.

Dividends per share

During the year to December 31, 2014 Shire plc declared and paid dividends of 20.76 US cents per Ordinary Share (equivalent to 62.28 US cents per ADS) totalling $121.2 million.

	Shire plc shareholders' equity						
	Common stock Number of shares M's	Common stock $'M	Additional paid-in capital $'M	Treasury stock $'M	Accumulated other comprehensive income $'M	Retained earnings $'M	Total equity $'M
As at January 1, 2013	562.5	55.7	2,981.5	(310.4)	86.9	995.5	3,809.2
Net income	–	–	–	–	–	665.1	665.1
Other comprehensive income, net of tax	–	–	–	–	23.3	–	23.3
Options exercised	1.2	0.1	16.1	–	–	–	16.2
Convertible Bonds conversion to Ordinary Shares	33.8	2.8	1,098.7	–	–	–	1,101.5
Share-based compensation	–	–	78.1	–	–	–	78.1
Tax benefit associated with exercise of stock options	–	–	11.9	–	–	–	11.9
Shares purchased by employee benefit trust ("EBT")	–	–	–	(50.0)	–	–	(50.0)
Shares purchased under share buy-back program	–	–	–	(193.8)	–	–	(193.8)
Shares released by EBT to satisfy exercise of stock options	–	–	–	103.6	–	(102.7)	0.9
Dividends	–	–	–	–	–	(96.4)	(96.4)
As at December 31, 2013	597.5	58.6	4,186.3	(450.6)	110.2	1,461.5	5,366.0

The accompanying notes are an integral part of these consolidated financial statements.

Dividends per share

During the year to December 31, 2013 Shire plc declared and paid dividends of 17.60 US cents per Ordinary Share (equivalent to 52.80 US cents per ADS) totaling $96.4 million.

Consolidated statements of changes in equity
(In millions of US dollars except share data) (continued)

	Shire plc shareholders' equity						
	Common stock Number of shares M's	Common stock $'M	Additional paid-in capital $'M	Treasury stock $'M	Accumulated other comprehensive income $'M	Retained earnings $'M	Total equity $'M
As at January 1, 2012	562.5	55.7	2,853.3	(287.2)	60.3	502.9	3,185.0
Net income	–	–	–	–	–	745.4	745.4
Other comprehensive income, net of tax	–	–	–	–	26.6	–	26.6
Options exercised	–	–	0.1	–	–	–	0.1
Share-based compensation	–	–	88.0	–	–	–	88.0
Tax benefit associated with exercise of stock options	–	–	40.1	–	–	–	40.1
Shares purchased by EBT	–	–	–	(99.3)	–	–	(99.3)
Shares purchased under Share buy-back program	–	–	–	(106.5)	–	–	(106.5)
Shares released by EBT to satisfy exercise of stock options	–	–	–	182.6	–	(166.5)	16.1
Dividends	–	–	–	–	–	(86.3)	(86.3)
As at December 31, 2012	562.5	55.7	2,981.5	(310.4)	86.9	995.5	3,809.2

The accompanying notes are an integral part of these consolidated financial statements.

Dividends per share

During the year to December 31, 2012 Shire plc declared and paid dividends of 15.32 US cents per Ordinary Share (equivalent to 45.96 US cents per ADS) totaling $86.3 million.

Consolidated statements of cash flows
(In millions of US dollars)

	2014 $'M	2013 $'M	2012 $'M
Cash flows from operating activities:			
Net income	**3,405.5**	665.1	745.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**407.3**	324.4	308.6
Share based compensation	**97.0**	77.4	87.1
Change in fair value of contingent consideration	**14.7**	(159.1)	9.2
Impairment of intangible assets	**190.3**	19.9	197.9
Goodwill impairment charge	**–**	198.9	–
Impairment of assets held for sale	**–**	636.9	–
Write down of assets	**14.3**	58.2	0.9
Gain on sale of product rights	**(54.6)**	(15.9)	(18.1)
Unwind of ViroPharma inventory fair value step-up	**91.9**	–	–
Other, net	**15.1**	8.3	7.4
Movement in deferred taxes	**(14.3)**	(349.9)	(58.3)
Equity in earnings of equity method investees	**(2.7)**	(3.9)	(1.0)
Changes in operating assets and liabilities:			
(Increase)/decrease in accounts receivable	**(66.1)**	(148.3)	22.2
Increase in sales deduction accruals	**107.6**	177.5	42.7
Increase in inventory	**(25.3)**	(36.6)	(88.2)
Decrease/(increase) in prepayments and other assets	**42.4**	(60.9)	(14.5)
Increase in accounts and notes payable and other liabilities	**5.3**	67.9	136.7
Returns on investment from joint venture	**–**	3.1	4.9
Net cash provided by operating activities[A]	**4,228.4**	1,463.0	1,382.9
Cash flows from investing activities:			
Movements in restricted cash	**(32.6)**	(5.3)	3.5
Purchases of subsidiary undertakings and businesses, net of cash acquired	**(4,104.4)**	(227.8)	(97.0)
Purchases of non-current investments	**(23.1)**	(10.6)	(18.0)
Proceeds from short-term investments	**57.8**	–	–
Purchases of PP&E	**(77.0)**	(157.0)	(149.6)
Purchases of intangible assets	**–**	–	(43.5)
Proceeds received on sale of product rights	**127.0**	19.2	17.8
Return on investments	**–**	5.4	–
Proceeds from disposal of non-current investments	**21.5**	12.1	7.2
Other, net	**0.2**	3.1	8.6
Net cash used in investing activities[B]	**(4,030.6)**	(360.9)	(271.0)

Consolidated statements of cash flows
(In millions of US dollars)
(continued)

	2014 $'M	2013 $'M	2012 $'M
Cash flows from financing activities:			
Proceeds from revolving line of credit, long-term and short-term borrowings	**2,310.8**	–	–
Repayment of revolving line of credit and short term borrowings	**(1,461.8)**	–	–
Repayment of debt acquired through business combinations	**(551.5)**	–	–
Proceeds from ViroPharma call options	**346.7**	–	–
Payment of dividend	**(121.2)**	(96.4)	(86.3)
Excess tax benefit associated with exercise of stock options	**39.7**	13.4	40.7
Proceeds from exercise of options	**17.4**	17.2	16.2
Contingent consideration payments	**(15.2)**	(14.1)	(5.8)
Facility arrangement fee	**(10.2)**	(13.9)	–
Payments to acquire shares under the share buy-back program	**–**	(193.8)	(106.5)
Payments to acquire shares by the EBT	**–**	(50.0)	(99.3)
Other, net	**(0.2)**	(7.0)	(3.3)
Net cash provided by/(used in) financing activities[C]	**554.5**	(344.6)	(244.3)
Effect of foreign exchange rate changes on cash and cash equivalents[D]	**(9.3)**	(0.3)	(5.4)
Net increase in cash and cash equivalents[A+B+C+D]	**743.0**	757.2	862.2
Cash and cash equivalents at beginning of period	**2,239.4**	1,482.2	620.0
Cash and cash equivalents at end of period	**2,982.4**	2,239.4	1,482.2

Supplemental information associated with continuing operations:

	2014 $'M	2013 $'M	2012 $'M
Interest paid	**(14.5)**	(29.9)	(34.6)
Income taxes paid	**(200.6)**	(290.2)	(199.2)
Repayment from Canadian revenue authorities	**417.0**	–	–
Receipt of break fee (see Note 26)	**1,635.4**	–	–

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
(In millions of US dollars, except where indicated)

1. Description of operations
Shire plc and its subsidiaries (collectively referred to as either "Shire", or the "Company") is a leading biopharmaceutical company that focuses on developing and marketing innovative specialty medicines for patients with rare diseases and other specialty conditions.

The Company has grown both organically and through acquisition, completing a series of major transactions that have brought therapeutic, geographic and pipeline growth and diversification. The Company will continue to conduct its own R&D, focused on rare diseases, as well as evaluate companies, products and pipeline opportunities that offer a good strategic fit and have the potential to deliver value to all of the Company's stakeholders: patients, physicians, policy makers, payers, investors and employees.

2. Summary of significant accounting policies
(a) Basis of preparation
The accompanying consolidated financial statements include the accounts of Shire plc, all of its subsidiary undertakings and the Income Access Share trust, after elimination of inter-company accounts and transactions. They have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and US Securities and Exchange Commission ("SEC") regulations for annual reporting.

(b) Use of estimates in consolidated financial statements
The preparation of consolidated financial statements, in conformity with US GAAP and SEC regulations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are primarily made in relation to the valuation of intangible assets, sales deductions, income taxes (including provisions for uncertain tax positions and the realization of deferred tax assets), provisions for litigation and legal proceedings, contingent consideration receivable from product divestments, contingent consideration payable in respect of business combinations and asset purchases and assets held for sale. If actual results differ from the Company's estimates, or to the extent these estimates are adjusted in future periods, the Company's results of operations could either benefit from, or be adversely affected by, any such change in estimate.

(c) Revenue recognition
The Company recognizes revenue when all of the following conditions are met:

- there is persuasive evidence of an agreement or arrangement;
- delivery of products has occurred or services have been rendered;
- the seller's price to the buyer is fixed or determinable; and
- collectability is reasonably assured.

Where applicable, all revenues are stated net of value added and similar taxes, and trade discounts. No revenue is recognized for consideration, the value or receipt of which is dependent on future events or future performance.

The Company's principal revenue streams and their respective accounting treatments are discussed below:

Product sales
Revenue for the sale of products is recognized when delivery has occurred and substantially all the risks and rewards of ownership have been transferred to the customer. Provisions for rebates, product returns and discounts to customers are provided for as reductions to revenue in the same period as the related sales are recorded. The provisions made at the time of revenue recognition are based on historical experience and updated for changes in facts and circumstances including the impact of new legislation and loss of a product's exclusivity. These provisions are recognized as a reduction to revenues.

Royalty income
Royalty income relating to licensed technology is recognized when the licensee sells the underlying product, with the amount of royalty income recorded based on sales information received from the relevant licensee. The Company estimates sales amounts and related royalty income based on the historical product information for any period that the sales information is not available from the relevant licensee.

Licensing revenues
Other revenue includes revenues derived from product out-licensing arrangements, which typically consist of an initial up-front payment to Shire by the licensee on inception of the license and subsequent milestone payments to Shire by the licensee, contingent on the achievement of certain clinical and sales milestones. Product out-licensing arrangements often require the Company to provide multiple deliverables to the licensee.

Initial license fees received in connection with product out-licensing agreements entered into prior to January 1, 2011 were deferred and are recognized over the period in which the Company has continuing substantive performance obligations, typically the period over which the Company participates in the development of the out-licensed product, even where such fees are non-refundable and not creditable against future royalty payments.

For product out-licencing arrangements entered into, or subject to material modification, after January 1, 2011, consideration received is allocated between each of the separable elements in the arrangement using the relative selling price method. An element is considered separable if it has value to the customer on a stand-alone basis. The selling price used for each separable element will be based on vendor specific objective evidence ("VSOE") if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor third party evidence is available. Revenue is then recognized as each of the separable elements to which the revenue has been allocated is delivered.

2. Summary of significant accounting policies (continued)

Milestone payments which are non-refundable, non creditable and contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones if the milestones are considered substantive or over the period the Company has continuing substantive performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

(d) Sales deductions

(i) Rebates

Rebates primarily consist of statutory rebates to state Medicaid agencies and contractual rebates with health-maintenance organizations. These rebates are based on price differentials between a base price and the selling price. As a result, rebates generally increase as a percentage of the selling price over the life of the product (as prices increase). Provisions for rebates are recorded as reductions to revenue in the same period as the related sales are recorded, with the amount of the rebate based on the Company's best estimate if any uncertainty exists over the unit rebate amount, and with estimates of future utilization derived from historical trends.

(ii) Returns

The Company estimates the proportion of recorded revenue that will result in a return, based on historical trends and when applicable, specific factors affecting certain products at the balance sheet date. The accrual is recorded as a reduction to revenue in the same period as the related sales are recorded.

(iii) Coupons

The Company uses coupons as a form of sales incentive. An accrual is established based on the Company's expectation of the level of coupon redemption, estimated using historical trends. The accrual is recorded as a reduction to revenue in the same period as the related sales are recorded or the date the coupon is offered, if later than the date the related sales are recorded.

(iv) Discounts

The Company offers cash discounts to customers for the early payment of receivables which are recorded as reductions to revenue and accounts receivable in the same period as the related sale is recorded.

(v) Wholesaler chargebacks

The Company has contractual agreements whereby it supplies certain products to third parties at predetermined prices. Wholesalers acting as intermediaries in these transactions are reimbursed by the Company if the predetermined prices are less than the prices paid by the wholesaler to the Company. Accruals for wholesaler chargebacks, which are based on historical trends, are recorded as reductions to revenue in the same period as the related sales are recorded.

(e) Collaborative arrangements

The Company enters into collaborative arrangements to develop and commercialize drug candidates. These collaborative arrangements often require up-front, milestone, royalty or profit share payments, or a combination of these, with payments often contingent upon the success of the related development and commercialization efforts. Collaboration agreements entered into by the Company may also include expense reimbursements or other such payments to the collaborating partner.

The Company reports costs incurred and revenue generated from transactions with third parties as well as payments between parties to collaborative arrangements either on a gross or net basis, depending on the characteristics of the collaborative relationship.

(f) Cost of product sales

Cost of product sales includes the cost of purchasing finished product for sale, the cost of raw materials and manufacturing for those products that are manufactured by the Company, shipping and handling costs, depreciation and amortization of intangible assets in respect of favorable manufacturing contracts. Royalties payable to third party intellectual property owners on sale of Company's products are also included in Cost of product sales.

(g) Leased assets

The costs of operating leases are charged to operations on a straight-line basis over the lease term, even if rental payments are not made on such a basis.

Assets acquired under capital leases are included in the consolidated balance sheet as property, plant and equipment and are depreciated over the shorter of the period of the lease or their useful lives. The capital element of future lease payments is recorded as a liability, while the interest element is charged to operations over the period of the lease to produce a level yield on the balance of the capital lease obligation.

(h) Advertising expense

The Company expenses the cost of advertising as incurred. Advertising costs amounted to $56.4 million, $60.9 million and $85.8 million for the years to December 31, 2014, 2013 and 2012 respectively and were included within Selling, general and administrative ("SG&A") expenses.

(i) Research and development ("R&D") expense

R&D costs are expensed as incurred. Up-front and milestone payments made to third parties for in-licensed products that have not yet received marketing approval and for which no alternative future use has been identified are also expensed as incurred.

Milestone payments made to third parties on and subsequent to regulatory approval are capitalized as intangible assets, and amortized over the remaining useful life of the related product.

2. Summary of significant accounting policies (continued)

(j) Valuation and impairment of long-lived assets other than goodwill, indefinite lived intangible assets and investments

The Company evaluates the carrying value of long-lived assets other than goodwill, indefinite lived intangible assets and investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of the relevant assets may not be recoverable. When such a determination is made, management's estimate of undiscounted cash flows to be generated by the use and ultimate disposition of these assets is compared to the carrying value of the assets to determine whether the carrying value is recoverable. If the carrying value is deemed not to be recoverable, the amount of the impairment recognized in the consolidated financial statements is determined by estimating the fair value of the relevant assets and recording an impairment loss for the amount by which the carrying value exceeds the estimated fair value. This fair value is usually determined based on estimated discounted cash flows.

(k) Finance costs of debt

Finance costs relating to debt issued are recorded as a deferred charge and amortized to the consolidated statements of income over the period to the earliest redemption date of the debt, using the effective interest rate method. On extinguishment of the related debt, any unamortized deferred financing costs are written off and charged to interest expense in the consolidated statements of income.

(l) Foreign currency

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the relevant subsidiary in which they arise at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into the relevant functional currency at the rate of exchange ruling at the date of the transaction. Transaction gains and losses, other than those related to current and deferred tax assets and liabilities, are recognized in arriving at income from operations before income taxes and equity in earnings of equity method investees. Transaction gains and losses arising on foreign currency denominated current and deferred tax assets and liabilities are included within income taxes in the consolidated statements of income.

The results of operations for subsidiaries, whose functional currency is not the US Dollar, are translated into the US Dollar at the average rates of exchange during the period, with the subsidiaries' balance sheets translated at the rates ruling at the balance sheet date. The cumulative effect of exchange rate movements is included in a separate component of Other comprehensive income.

Foreign currency exchange transaction losses included in consolidated statements of income in the years to December 31, 2014, 2013 and 2012 amounted to $15.6 million, $8.7 million and $3.5 million, respectively.

(m) Income taxes

Uncertain tax positions are recognized in the consolidated financial statements for positions which are considered more likely than not of being sustained, based on the technical merits of the position on audit by the tax authorities. The measurement of the tax benefit recognized in the consolidated financial statements is based upon the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized based on a cumulative probability assessment of the possible outcomes. The Company recognizes interest and penalties relating to unrecognized tax benefits within income taxes.

The Company recognizes interest and penalties relating to income taxes within income taxes. Interest income on cash required to be deposited with the tax authorities is recognized within interest income.

Deferred tax assets and liabilities are recognized for differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

(n) Earnings per share

Basic earnings per share is based upon net income attributable to the Company divided by the weighted average number of Ordinary Shares outstanding during the period. Diluted earnings per share is based upon net income attributable to the Company adjusted for the impact of interest expense on convertible debt on an "if-converted" basis (when the effect is dilutive and prior to the actual conversion or redemption of such debt) divided by the weighted average number of Ordinary Share equivalents outstanding during the period, adjusted for the dilutive effect of all potential Ordinary Shares equivalents that were outstanding during the year. Such potentially dilutive shares are excluded when the effect would be to increase diluted earnings per share or reduce the diluted loss per share.

(o) Share-based compensation

Share-based compensation represents the cost of share-based awards granted to employees. The Company measures share-based compensation cost for awards classified as equity at the grant date, based on the estimated fair value of the award. Predominantly all of the Company's awards have service and/or performance conditions and the fair values of these awards are estimated using a Black-Scholes valuation model.

2. Summary of significant accounting policies (continued)

For share-based compensation awards which cliff vest, the Company recognizes the cost of the relevant share-based payment award as an expense on a straight-line basis (net of estimated forfeitures) over the employee's requisite service period. For those share-based compensation awards with a graded vesting schedule, the Company recognizes the cost of the relevant share-based payment award as an expense on a straight-line basis (net of estimated forfeitures) over the requisite service period for the entire award (that is, over the requisite service period for the last separately vesting portion of the award). The share-based compensation expense is recorded in Cost of product sales, R&D, SG&A and Reorganization costs in the consolidated statements of income based on the employees' respective functions.

The Company records deferred tax assets for awards that result in deductions on the Company's income tax returns, based on the amount of compensation cost recognized and the Company's statutory tax rate in the jurisdiction in which it will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax return are recorded in additional paid-in capital (if the tax deduction exceeds the deferred tax asset) or in the consolidated statements of income (if the deferred tax asset exceeds the tax deduction and no additional paid-in capital exists from previous awards).

The Company's share-based compensation plans are described more fully in Note 30.

(p) Cash and cash equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with original maturities of 90 days or less.

(q) Financial instruments – derivatives

The Company uses derivative financial instruments to manage its exposure to foreign exchange risk principally associated with intercompany financing. These instruments consist of swap and forward foreign exchange contracts. The Company does not apply hedge accounting for these instruments. The fair values of these instruments are included on the balance sheet in current assets/liabilities, with changes in the fair value recognized in the consolidated statements of income. The cash flows relating to these instruments are presented within net cash provided by operating activities in the consolidated statement of cash flows, unless the derivative instruments are economically hedging specific investing or financing activities.

(r) Inventories

Inventories are stated at the lower of cost or market. Cost incurred in bringing each product to its present location and condition is based on purchase costs calculated on a first-in, first-out basis, including transportation costs.

Inventories include costs relating to both marketed products and, for certain products, cost incurred prior to regulatory approval. Inventories are capitalized prior to regulatory approval if the Company considers that it is highly probable that the US Food and Drug Administration ("FDA") or another regulatory body will grant commercial and manufacturing approval for the relevant product, and it is highly probable that the value of capitalized inventories will be recovered through commercial sale.

Inventories are written down for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those anticipated, inventory adjustments may be required.

(s) Assets held-for-sale

An asset or asset disposal group is classified as held-for-sale when, amongst other things, the Company has committed to a plan of disposition, the asset or asset disposal group is available for immediate sale, and the plan is not expected to change significantly. Assets held-for-sale are carried at the lower of their carrying amount or fair value less cost to sell.

The Company does not record depreciation or amortization on assets classified as held-for-sale.

(t) Investments

The Company has certain investments in pharmaceutical and biotechnology companies.

Investments are accounted for using the equity method of accounting if the investment gives the Company the ability to exercise significant influence, but not control over, the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors such as representation on the investee's Board of Directors and the nature of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the Company records its investments in equity-method investees in the consolidated balance sheet under Investments and its share of the investees' earnings or losses together with other-than-temporary impairments in value under equity in earnings of equity method investees in the consolidated statements of income.

All other equity investments, which consist of investments for which the Company does not have the ability to exercise significant influence, are accounted for under the cost method or at fair value. Investments in private companies are carried at cost, less provisions for other-than-temporary impairment in value. For public companies that have readily determinable fair values, the Company classifies its equity investments as available-for-sale and, accordingly, records these investments at their fair values with unrealized holding gains and losses included in the consolidated statement of comprehensive income, net of any related tax effect. Realized gains and losses, and declines in value of available-for-sale securities judged to be other-than-temporary, are included in other income, net. The cost of securities sold is based on the specific identification method. Interest on securities classified as available-for-sale are included as interest income.

2. Summary of significant accounting policies (continued)

(u) Property, plant and equipment

Property, plant and equipment is shown at cost reduced for impairment losses, net of accumulated depreciation. The cost of significant assets includes capitalized interest incurred during the construction period. Depreciation is recorded on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life as follows:

Buildings	15 to 50 years
Office furniture, fittings and equipment	3 to 10 years
Warehouse, laboratory and manufacturing equipment	3 to 15 years

The cost of land is not depreciated. Assets under the course of construction are not depreciated until the relevant assets are available and ready for their intended use.

Expenditures for maintenance and repairs are charged to the consolidated statements of income as incurred. The costs of major renewals and improvements are capitalized. At the time property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts. The profit or loss on such disposition is reflected in operating income.

(v) Goodwill and other intangible assets

(i) Goodwill

In business combinations completed subsequent to January 1, 2009, goodwill represents the excess of the fair value of the consideration given and the fair value of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities acquired. For business combinations completed prior to January 1, 2009 goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill is not amortized, but instead is reviewed for impairment, at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For the purpose of assessing the carrying value of goodwill for impairment, goodwill is allocated at the Company's reporting unit level. Events or changes in circumstances which could trigger an impairment review include but are not limited to: significant underperformance of a reporting unit relative to expected historical or projected future operating results; significant changes in the manner of the Company's use of acquired assets or the strategy for the overall business; and significant negative industry trends.

Goodwill is reviewed for impairment by comparing the carrying value of the reporting unit's net assets (including allocated goodwill) to the fair value of the reporting unit. If the reporting unit's carrying amount is greater than its fair value, a second step is performed whereby the portion of the reporting unit's fair value relating to goodwill is compared to the carrying value of the reporting unit's goodwill. The Company recognizes a goodwill impairment charge for the amount by which the carrying value of goodwill exceeds its estimated fair value. In the year to December 31, 2013 the Company has recorded an impairment charge of $198.9 million related to the goodwill allocated to the Company's former Regenerative Medicine ("RM") reporting unit. See Note 13 for further details.

(ii) Other intangible assets

Other intangible assets principally comprise intellectual property rights for products with a defined revenue stream, acquired product technology and IPR&D. Intellectual property rights for currently marketed products and acquired product technology are recorded at fair value and amortized over the estimated useful life of the related product, which ranges from 4 to 23 years (weighted average 18.6 years). IPR&D acquired through a business combination is capitalized as an indefinite lived intangible asset until the completion or abandonment of the associated R&D efforts. IPR&D is reviewed for impairment using a "one-step" approach which compares the fair value of the IPR&D asset with its carrying amount. An impairment loss is recognized to the extent that the carrying value exceeds the fair value of the IPR&D asset. Once the R&D efforts are completed the useful life of the relevant assets will be determined, and the IPR&D asset amortized over this useful economic life.

The following factors, where applicable, are considered in estimating the useful lives of Other intangible assets:

- expected use of the asset;
- regulatory, legal or contractual provisions, including the regulatory approval and review process, patent issues and actions by government agencies;
- the effects of obsolescence, changes in demand, competing products and other economic factors, including the stability of the market, known technological advances, development of competing drugs that are more effective clinically or economically;
- actions of competitors, suppliers, regulatory agencies or others that may eliminate current competitive advantages; and
- historical experience of renewing or extending similar arrangements.

When a number of factors apply to an intangible asset, these factors are considered in combination when determining the appropriate useful life for the relevant asset.

2. Summary of significant accounting policies (continued)

(w) Non-monetary transactions

The Company enters into certain non-monetary transactions that involve either the granting of a license over the Company's patents or the disposal of an asset or group of assets in exchange for a non-monetary asset, usually equity. The Company accounts for these transactions at fair value if the Company is able to determine the fair value within reasonable limits. To the extent the Company concludes that it is unable to determine the fair value of a transaction that transaction is accounted for at the recorded amounts of the assets exchanged. Management is required to exercise its judgment in determining whether or not the fair value of the asset received or given up can be determined.

(x) New accounting pronouncements

Adopted during the periods

Push down accounting in a business combination

In November 2014 the Financial Accounting Standards Board ("FASB") issued guidance on whether and at what threshold an acquired entity that is a business can apply pushdown accounting in its separate financial statements. The amendments in this update provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event. An election to apply pushdown accounting in a reporting period after the reporting period in which the change-in-control event occurred should be considered a change in accounting principle in accordance with Topic 250, Accounting Changes and Error Corrections. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information in the current reporting period that enables users of financial statements to evaluate the effect of pushdown accounting.

The amendments in this update became effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle. The guidance has been adopted on November 18, 2014. The adoption of the guidance did not impact the Company's consolidated financial position, results of operations or cash flows.

To be adopted in future periods

Reporting discontinued operations and disclosures of disposals of components of an entity

In April 2014 the FASB issued guidance on the reporting of discontinued operations and disclosures of disposals of components of an entity. The amendments in this update revise the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The guidance requires expanded disclosures for discontinued operations which provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations. The guidance also requires an entity to disclose the pre-tax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting.

The guidance will be effective for disposals (or classifications as held-for-sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals (or classifications as held-for-sale) that have not been reported in financial statements previously issued or available for issuance. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial position, results of operations and cash flows.

Revenue from Contracts with Customers

In May 2014 the FASB and the International Accounting Standards Board (together as the "Accounting Standards Boards") issued a new accounting standard that is intended to clarify and converge the financial reporting requirements for revenue from contracts with customers. The core principle of the standard is that an "entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". To achieve that core principle the Accounting Standard Boards developed a five-step model (as presented below) and related application guidance, which will replace most existing revenue recognition guidance in US GAAP.

Five-step model:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Accounting Standards Boards also issued new qualitative and quantitative disclosure requirements as part of the new accounting standard which aims to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual periods beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of adopting this guidance.

2. Summary of significant accounting policies (continued)

Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation

In June 2014 the FASB issued guidance on the reporting requirements for development stage entities. The amendments in this update simplify the existing guidance by removing all incremental financial reporting requirements for development stage entities. The amendments also eliminate an exception provided with respect to development stage entities in Topic 810, Consolidation, for determining whether an entity is a variable interest entity on the basis of the amount of equity that is at risk. The elimination of the exception may change the consolidation analysis, consolidation decision, and disclosure requirements for a reporting entity that has an interest in an entity in the development stage. The guidance to eliminate the exception to the sufficiency-of-equity-at-risk criterion for development stage entities should be applied retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein. Early application of both of these amendments is permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued. The Company is currently evaluating the impact of adopting this guidance.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014 the FASB issued guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. An entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (or available to be issued). Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). The term probable is used consistently with its use in topic 450, Contingencies. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial position, results of operations and cash flows.

(y) Statutory accounts

The consolidated financial statements as at December 31, 2014 and 2013, and for each of the three years in the period to December 31, 2014 do not comprise statutory accounts within the meaning of Section 434 of the UK Companies Act 2006 or Article 104 of the Companies (Jersey) Law 1991.

Statutory accounts of Shire, consisting of the solus accounts of Shire plc for the year to December 31, 2013 prepared under UK GAAP and in compliance with Jersey law have been delivered to the Registrar of Companies for Jersey. The consolidated accounts of the Company for the year ended December 31, 2013 prepared in accordance with US GAAP, in fulfillment of the Company's United Kingdom Listing Authority ("UKLA") annual reporting requirements were filed with the UKLA. The auditor's reports on these accounts were unqualified.

Statutory accounts of Shire, consisting of the solus accounts of Shire plc for the year to December 31, 2014 prepared under UK GAAP and in compliance with Jersey law will be delivered to the Registrar of Companies in Jersey in 2015. The Company further expects to file the consolidated accounts of the Company for the year to December 31, 2014, prepared in accordance with US GAAP, in fulfillment of the Company's UKLA annual reporting requirements with the UKLA in 2015.

3. Critical accounting estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States ("US GAAP") and SEC regulations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are primarily made in relation to the valuation of intangible assets, sales deductions, income taxes (including provisions for uncertain tax positions and the realization of deferred tax assets), provisions for litigation and legal proceedings, contingent consideration receivable from divestments of products or businesses and contingent consideration payable in respect of business combinations and asset purchases. If actual results differ from the Company's estimates, or to the extent these estimates are adjusted in future periods, the Company's results of operations could either benefit from, or be adversely affected by, any such change in estimate.

(i) Valuation of intangible assets

In accordance with US GAAP the Company classifies intangible assets into three categories: (1) finite lived intangible assets, which are amortized over their estimated useful lives; (2) intangible assets with indefinite lives, which are not subject to amortization; and (3) goodwill.

At December 31, 2014 the carrying value of the Company's finite lived intangible assets was $3,384 million (2013: $1,361 million; 2012: $2,157 million), the carrying value of the Company's indefinite lived intangible assets was $1,550 million (2013: $952 million; 2012: $231 million), and the carrying value of the Company's goodwill was $2,475 million (2013: $625 million; 2012: $645 million). The Company's indefinite lived intangible assets relate solely to IPR&D assets acquired through business combinations.

3. Critical accounting estimates (continued)

(i) Initial valuation of intangible assets acquired through business combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the fair value of consideration given and the fair value of any noncontrolling interest over the fair values of the identifiable assets and liabilities acquired is recorded as goodwill. The determination of the estimated fair values of acquired intangible assets, including determining the appropriate unit of account for each intangible asset, as well as the useful economic life ascribed to finite lived intangible assets, requires the use of significant judgment. The use of different estimates and assumptions to those used by the Company could result in a materially different valuation of acquired intangible assets, which could have a material effect on the Company's results of operations.

US GAAP provides acquirers with a reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed in a business combination (a measurement period). The measurement period cannot exceed more than one year from the acquisition date. In accordance with US GAAP, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the acquisition occurred, the Company reports in its financial statements preliminary amounts for those items for which the accounting is incomplete, which may include intangible assets acquired. During the measurement period, the Company considers all pertinent factors to determine whether new information obtained after the acquisition date regarding the values of intangible assets should result in an adjustment to the provisional amounts recognized or whether that new information results from events that occurred after the acquisition date and should result in an adjustment through current period earnings. Depending upon the nature of this new information, significant judgment may be required in determining whether the adjustment should be reflected as an adjustment to provisional amounts or adjusted through current period earnings. Application of a different judgment could materially impact the Company's results of operations.

Initial valuation of finite lived intangible assets

At December 31, 2014 the carrying value of the Company's finite lived intangible assets was $3,384 million. In the year to December 31, 2014 the Company acquired finite lived intangible assets totaling $2,320 million, primarily relating to the intangible assets for currently marketed products acquired with ViroPharma.

The fair values of all finite lived identifiable intangible assets, for commercialized products and developed product technologies, acquired through business combinations have been determined using an income approach on a project-by-project basis using the multi-period excess earnings method. The multi-period excess earnings method starts with a forecast of all expected future net cash flows which a market participant could have either generated or saved as a result of ownership of the intellectual property, customer relationships, product technologies and other intangible assets. These cash flows are then adjusted to present value by applying a market participant discount rate that reflects the risk factors that a market participant would associate with the cash flows (to the extent the underlying cash flows have not similarly been risk adjusted). Forecasting these future cash flows requires various assumptions to be made, including whether and to what extent future net cash flows are specific to Shire or could also be achieved by a market participant. These valuations are based on information that is known or reasonably knowable at the time of the acquisition of the identifiable intangible assets, and the expectations and assumptions that (i) have been deemed reasonable by the Company's management and (ii) are based on information, expectations and assumptions that would be available to and made by a market participant. No assurance can be given, however, that the underlying assumptions or events associated with such valuations will occur as projected. For these reasons, among others, actual cash flows may differ from these forecasts and, dependent on the outcome of future events or circumstances, impairment losses (as outlined below) may result. The use of different estimates and assumptions to those used by the Company could result in a materially different valuation of finite lived intangible assets. However, as the valuation process for intangible assets involves a number of inter-related assumptions, the Company does not consider it meaningful to quantify the sensitivity of the valuation of intangible assets to changes in any individual assumption.

Initial valuation of indefinite lived intangible assets (IPR&D)

IPR&D represents the fair value assigned to incomplete technologies and development projects that the Company has acquired through business combinations which completed after January 1, 2009 which, at the time the business combination closed, had not reached technological feasibility or which had no alternative future use. At December 31, 2014 the carrying value of the Company's indefinite lived intangible assets (IPR&D) was $1,550 million. In the year to December 31, 2014 the Company acquired IPR&D assets totaling $793 million, primarily relating to the IPR&D assets acquired with ViroPharma, Lumena and Fibrotech.

The fair value of IPR&D assets is determined using the income approach on a project-by-project basis using the multi-period excess earnings method. The fair value of the acquired IPR&D assets has been based on the present value of probability adjusted incremental cash flows which a market participant would expect the IPR&D projects to generate on a "highest and best use" basis, after the deduction of contributory asset charges for other assets employed in these projects. This method incorporates an evaluation of the probability of success of each development project, and the application of an appropriate market participant discount rate commensurate with the project's stage of completion, the nature of the product, the scientific data associated with the technology, the current patent situation and market competition.

The cash flows that will ultimately be generated by IPR&D projects are subject to major risks and uncertainties including whether the IPR&D projects will be completed in a timely manner, if at all, whether the necessary regulatory approvals will be obtained and how commercially successful the project

3. Critical accounting estimates (continued)

will be subsequent to commercial launch. The Company is required to use estimates and assumptions in relation to these risks and uncertainties when valuing IPR&D projects. The use of different estimates and assumptions to those used by the Company could result in a materially different valuation of the related IPR&D. However, as the valuation process for IPR&D involves a number of inter-relating assumptions, the Company does not consider it meaningful to quantify the sensitivity of the valuation of IPR&D to changes in any individual assumption.

The initial valuation of indefinite lived IPR&D is based on information that existed at the time of the acquisition of the relevant development project, and utilizes expectations and assumptions that (i) have been deemed reasonable by the Company's management, and (ii) are based on information, expectations and assumptions that would be available to and made by a market participant. However, no assurance can be given that the underlying assumptions or estimates associated with the valuation of IPR&D will occur as projected. If IPR&D projects fail during development, are abandoned or subject to significant delay, or do not receive the relevant regulatory approvals, the Company may not realize the future cash flows that it has estimated nor recover the value of the R&D investment made subsequent to acquisition of the project. If such circumstances occur, the Company's future operating results could be materially adversely impacted.

(ii) Subsequent measurement of intangible assets

Finite lived intangible assets – estimation of amortization charges and impairment losses

Management's estimate of the useful life of its finite lived intangible assets considers, amongst other things, the following factors:

(i) the expected use of the finite lived intangible asset by the Company;

(ii) any legal, regulatory, or contractual provisions that may limit or extend the useful life;

(iii) the effects of demand and competition, including the launch of generic products; and

(iv) other general economic and/or industry specific factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels).

The Company reviews the useful life of its intangible assets subject to amortization at each reporting period, and revises its estimate of the useful life if warranted by events or circumstances. Any future changes to the useful life of the Company's finite lived intangible assets could result in higher or lower amortization charges in future periods, which could materially affect the Company's results from operations.

The Company reviews its finite lived intangible assets for impairment using a "two-step" approach, whenever events or circumstances suggest that the carrying value of its finite lived intangible assets may not be recoverable. Under step one, if the undiscounted cash flows resulting from the use and ultimate disposition of the finite lived intangible asset (based on entity specific assumptions) are less than its carrying value, the intangible asset is considered not to be recoverable. The impairment loss is determined under step two as the amount by which the carrying value of the intangible asset exceeds its fair value (based on market participant assumptions, which may differ from entity specific assumptions).

Events or circumstances that could suggest that the Company's finite lived intangible assets may not be recoverable, and which would lead to an evaluation of the recoverability of the relevant asset, include but are not limited to, the following:

(i) changes to a product's commercialization strategy;

(ii) the loss of patent protection, regulatory exclusivity or challenge or circumvention by competitors of the Company's regulatory exclusivity patents;

(iii) the development and marketing of competitive products, including generic entrants into the marketplace;

(iv) changes to the product labels, or other regulatory intervention;

(v) sustained government pressure on prices and, specifically, competitive pricing;

(vi) the occurrence of significant adverse events in respect to the Company's products;

(vii) a significant deterioration in a product's operating performance compared to expectations; and

(viii) an expectation that the intangible asset will be divested before the end of its previously estimated useful life.

The occurrence of any such events or circumstances may result in the Company reducing the estimated future net cash flows to be generated by, and the fair value of, its finite lived intangible assets and therefore give rise to an impairment loss.

The Company has not recorded any impairment losses in respect of finite lived intangible assets in 2014. In 2013, as a result of the divestment of DERMAGRAFT to Organogenesis, the Company reclassified the DERMAGRAFT finite lived intangible asset (and other assets subject to disposal) as Assets held for sale and recorded an impairment charge of $636.9 million, measured at fair value less cost to sell, in the year to December 31, 2013. In the year to December 31, 2012 the Company recognized impairment losses of $126.7 million to write-down its RESOLOR finite lived intangible assets to their fair value.

Dependent on future events or circumstances, the Company's operating results could be materially and adversely affected by future impairment losses relating to its finite lived intangible assets.

Indefinite lived intangible assets (IPR&D) – estimation of impairment losses

The Company reviews its indefinite lived intangible assets (which currently only relate to IPR&D assets) for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

3. Critical accounting estimates (continued)

Indefinite lived assets are reviewed for impairment by comparing the fair value of the indefinite lived asset (based on market participant assumptions, which may differ from entity specific assumptions) with its carrying amount. An impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value of the relevant indefinite lived intangible asset.

Events or circumstances that could suggest that the Company's IPR&D assets may not be recoverable, and which would lead to an evaluation of the relevant asset for impairment, include those factors considered for finite lived intangible assets (outlined above) as well as any adverse changes to the technological or commercial viability of the IPR&D projects, which could include abandonment, or significant delays in progression, of the IPR&D project or a decline in its estimated commercial potential. The occurrence of any such events or circumstances could result in the Company reducing the estimated future net cash flows to be generated by, and the fair value of, its indefinite lived intangible assets and therefore give rise to an impairment loss.

After the identification of any such events or circumstances, and the resultant impairment reviews, the Company recognized impairment losses of $190.3 million in the year to December 31, 2014, primarily to write-down its SHP602 and SHP613 IPR&D assets to their fair value (See Note 14, "Other intangible assets, net" to the consolidated financial statements set forth in this Annual Report). In 2013 and 2012 the Company recorded impairment losses of $19.9 million and $71.2 million respectively to write-down RESOLOR IPR&D assets to their fair values. Dependent on future events or circumstances, the Company's operating results could be materially and adversely affected by future impairment losses relating to its indefinite lived intangible assets.

Goodwill – estimation of impairment losses

The Company reviews goodwill for impairment at least annually, or more frequently if events or circumstances indicate the carrying amount of goodwill may not be recoverable.

The Company reviews goodwill for impairment by firstly assessing qualitative factors, including comparing the market capitalization of the Company to the carrying value of its assets, to determine whether events or circumstances exists which indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of a reporting unit exceeds its carrying value, then the goodwill is considered recoverable and no further testing is performed. If, after assessing these qualitative factors, it is deemed more likely than not that the fair value of a reporting unit is less than its carrying value, a "two step" quantitative assessment is performed. This qualitative determination requires the use of judgment in concluding, based on the totality of events or circumstances, whether goodwill is considered recoverable or whether a further quantitative assessment is required to be performed.

Under this "two step" quantitative assessment, the Company firstly compares the fair value of a reporting unit with its carrying value. If the carrying value of a reporting unit is greater than its fair value, then goodwill is considered impaired and a further test is performed to determine the amount by which the carrying value of a reporting unit's goodwill exceeds its fair value, with an impairment loss recognized in an amount equal to that excess. The quantitative determination of fair value of a reporting unit requires the use of significant judgment and assumptions, which include, amongst other things, the estimation of future forecast cash flows and an appropriate discount rate used to determine the fair value.

In 2013 the Company identified circumstances which indicated that the carrying value of goodwill in the RM reporting unit may not have been recoverable, which triggered an impairment test in advance of the annual testing date. The results of the Company's March 31, 2013 impairment test showed that the carrying amount of the RM reporting unit exceeded its fair value and the implied value of the goodwill was $nil. As a result the Company recorded an impairment charge of $198.9 million related to the goodwill allocated to the RM reporting unit of which $191.8 million was subsequently reclassified to be presented within discontinued operations (See Note 13, "Goodwill" to the consolidated financial statements set forth in this Annual Report).

The Company performed its annual goodwill impairment review as of October 1, 2014, which indicated, based on qualitative factors that the Company's goodwill was recoverable and was not deemed to be at risk of impairment.

(ii) Sales Deductions

Sales deductions consist primarily of statutory rebates to State Medicaid and other government agencies, Medicare Part D rebates, contractual rebates with Managed Care Organizations ("MCOs"), product returns, sales discounts (including trade discounts), distribution service fees, wholesaler chargebacks, and allowances for coupon and patient assistance programs. These deductions are recorded as reductions to revenue in the same period as the related sales are recognized. Estimates of future obligations are derived from historical experience adjusted to reflect known changes in the factors that impact such reserves. On the balance sheet the Company records wholesaler chargebacks and trade discounts as a reserve against accounts receivable, whereas all other sales deductions are recorded within current liabilities.

The Company has the following significant categories of sales deductions, all of which involve estimates and judgments which the Company considers to be critical accounting estimates, and require the Company to use information from external sources:

Medicaid and Managed Care Rebates

In the US, statutory and any supplemental rebates to State Medicaid agencies and contractual rebates to MCOs under managed care programs are based on statutory or negotiated discounts to the selling price. Medicaid rebates generally increase as a percentage of the selling price over the life of the product (if prices increase faster than general inflation).

3. Critical accounting estimates (continued)

It can take up to six months for information to reach the Company on actual usage of the Company's products in managed care and Medicaid programs and on the total rebates to be reimbursed. Similarly, it can take some months before reimbursement claims are actually made by the Medicaid and Managed Care agencies. As a result the Company estimates the reserves required for amounts payable under these programs relating to sold products.

The amount of these reserves is based on historical experience of rebates, the timing of payments, the level of reimbursement claims, changes in prices (both normal selling prices and statutory or negotiated prices), changes in prescription demand patterns, projected product returns and the levels of inventory in the distribution channel. Adjustments are made for known changes in these factors, including changes in product lifecycle, on a quarterly basis.

Shire's estimates of the level of inventory in the distribution channel are derived from product-by-product inventory data provided by wholesalers and results of independently commissioned retail inventory surveys.

Revisions or clarification of guidelines from the CMS related to State Medicaid and other government program reimbursement practices with retroactive application can result in changes to management's estimates of the rebates reported in prior periods.

The accrual estimation process for Medicaid and managed care rebates involves in each case a number of interrelating assumptions, which vary for each combination of product and Medicaid agency or MCO. Accordingly, it would not be meaningful to quantify the sensitivity to change for any individual assumption or uncertainty. However, Shire does not believe that the effect of these uncertainties, taken as a whole, significantly impacts the Company's financial condition or results of operations.

Aggregate accruals for Medicaid and MCO rebates at December 31, 2014, 2013 and 2012 were $882 million, $807 million and $641 million, or 15%, 17% and 15%, respectively of net product sales. Historically, actual rebates have not varied significantly from the reserves provided.

Product Returns

The Company typically accepts customer product returns in the following circumstances: (a) expiration of shelf life; (b) product damaged while in Shire's possession; (c) under sales terms that allow for unconditional return (guaranteed sales); or (d) following product recalls or product withdrawals. Generally, returns for expired product are accepted three months before and up to one year after expiration date of the relevant product and the returned product is destroyed. Depending on the product and the Company's return policy with respect to that product, the Company may either refund the sales price paid by the customer by issuance of a credit, or exchange the returned product with replacement inventory. The Company typically does not provide cash refunds.

Shire estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including:

(a) past product returns activity;

(b) the duration of time taken for products to be returned;

(c) the estimated level of inventory in the distribution channel;

(d) product recalls and discontinuances;

(e) the shelf life of products;

(f) the launch of new drugs or new formulations; and

(g) the loss of patent protection, exclusivity or new competition.

Shire's estimates of the level of inventory in the distribution channel are based on product-by-product inventory data provided by wholesalers and results of independently commissioned third party retail inventory surveys.

Returns reserves for new products and for those products with generic (or authorized generic) competition generally require a higher level of estimation than those for established products without generic (or authorized generic) competition.

For shipments made to support the commercial launch of a new product (which can include guaranteed sales), the Company's policy is to defer recognition of the sales revenue until there is evidence of end-patient acceptance of the new product (primarily through third-party prescription data). For shipments after launch under standard terms (i.e. not guaranteed sales), the Company's initial estimates of sales return accruals are primarily based on the historical sales returns experience of similar products shortly after launch. Once sufficient historical data on actual returns of the product are available, the returns provision is based on this data and any other relevant factors as noted above.

The Company estimates returns reserves for products with generic (or authorized generic) competition based on historical sales, the estimated level of inventory in the distribution channel, product utilization and rebate data, which are modified through the use of management judgment to take into account many factors, including, but not limited to, current market dynamics, changes in contract terms, changes in sales trends and product pricing.

The accrual estimation process for product returns involves, in each case, a number of interrelating assumptions, which vary for each combination of product and customer. Accordingly, it would not be meaningful to quantify the sensitivity to change for any individual assumption or uncertainty. However, Shire does not believe that the effect of uncertainties, as a whole, significantly impacts the Company's financial condition or results of operations.

At December 31, 2014, 2013 and 2012, provisions for product returns were $132 million, $99 million, and $91 million or 2%, 2% and 2% respectively, of net product sales. Historically, actual returns have not varied significantly from the reserves provided.

(iii) Income Taxes

In accounting for uncertainty in income taxes, management is required to develop estimates as to whether a tax benefit should be recognized in the consolidated financial statements, based on whether it is more likely than not that the technical merits of the position will be sustained based on audit by the tax authorities. The measurement of the tax benefit recognized in the consolidated financial statements is based upon the largest amount of tax benefit that,

3. Critical accounting estimates (continued)

in management's judgment, is greater than 50% likely to be realized based on a cumulative probability assessment of the possible outcomes. In accounting for income tax uncertainties, management is required to make judgments in the determination of the unit of account, the evaluation of the facts, circumstances and information in respect of the tax position taken, together with the estimates of amounts that the Company may be required to pay in ultimate settlement with the tax authority.

Shire operates in numerous countries where its income tax returns are subject to audit and adjustment by local tax authorities. As Shire operates globally, the nature of the uncertain tax positions is often very complex and subject to change and the amounts at issue can be substantial. Shire develops its cumulative probability assessment to measure uncertain tax positions using internal expertise, experience and judgment, together with assistance from professional advisors. Original estimates are refined as additional information becomes known. For example, in the year to December 31, 2014 the Company released certain provisions for uncertain tax positions totaling $221.1 million, primarily related to the settlement of certain tax positions with the Canadian revenue authorities and the conclusion of prior year audits in other territories. These releases were partially offset by the recognition of additional provisions for uncertain tax positions of $84.5 million in relation to ongoing compliance management for current and prior years.

Any outcome upon settlement that differs from the recorded provision for uncertain tax positions may result in a materially higher or lower tax expense in future periods, which could significantly impact the Company's results of operations or financial condition. However, the Company does not believe it is possible to reasonably estimate the potential impact of any such change in assumptions, estimates or judgments and the resultant change, if any, in the Company's provision for uncertain tax positions, as any such change is dependent on factors such as future changes in tax law or administrative practice, the amount and nature of additional taxes which may be asserted by the taxation authorities, and the willingness of the relevant tax authorities to negotiate a settlement for any such position.

At December 31, 2014 the Company recognized a liability of $207.8 million for total unrecognized tax benefits (2013: $355.2 million) and had accrued $25.8 million (2013: $112.2 million) for the payment of interest and penalties. The Company is required in certain tax jurisdictions to make advance deposits to tax authorities on receipt of a tax assessment. These payments are either offset against the income tax liability or establish an income tax receivable but do not reduce the provision for unrecognized tax benefits.

The Company has significant deferred tax assets due to various tax attributes, including net operating losses ("NOLs"), tax credits (from Research and Development and Investment Tax Credits) principally in the Republic of Ireland, the US, Switzerland, Belgium, Germany and the UK. At December 31, 2014 the Company had gross deferred tax assets of $999 million (2013: $822 million; 2012: $764 million), against which the Company had recorded valuation allowances of $325 million (2013: $282 million; 2012: $269 million) and deferred tax liabilities of $1,428 million (2013: $644 million; 2012: $740 million).

The realization of these assets is not assured and is dependent on various factors. Management is required to exercise judgment in determining whether it is more likely than not that it would realize these deferred tax assets. In assessing the need for a valuation allowance, management weighs all available positive and negative evidence including cumulative losses in recent years, expectations of future taxable income, carry forward and carry back potential under relevant tax law, expiration period of tax attributes, taxable temporary differences, and prudent and feasible tax-planning strategies. A valuation allowance is established where there is an expectation that on the balance of probabilities management considers it is more likely than not that the relevant deferred tax assets will not be realized. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could significantly impact the Company's financial condition and results of operations.

(iv) Litigation and legal proceedings

The Company has a number of lawsuits pending. The Company's principal pending legal and other proceedings are disclosed in Note 19, "Commitments and Contingencies, Legal and other proceedings" to the consolidated financial statements set forth in this Annual Report. The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed substantially before the ultimate loss is known, and are therefore refined each accounting period as additional information becomes known. In instances where the Company is unable to develop a reasonable estimate of loss, no loss contingency provision is recorded at that time. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. These estimates are reviewed quarterly and changed when expectations are revised. An outcome that deviates from the Company's estimate may result in an additional expense (or credit) in a future accounting period. At December 31, 2014 provisions for litigation losses, insurance claims and other disputes totaled $16.9 million (December 31, 2013: $72.7 million; 2012: $130.5 million).

The outcomes of these proceedings are not always predictable and can be affected by various factors. For those legal and other proceedings for which it is considered at least reasonably possible that a loss has been incurred, the Company discloses the possible loss or range of possible loss in excess of the recorded loss contingency provision, if any, where such excess is both material and estimable. The estimation of the likelihood, amount and range of any loss arising from these proceedings requires significant judgment. Any revisions in the Company's estimates, or outcomes upon settlement that deviate from the Company's best estimate may result in an additional expense (or credit) in a future accounting period, which could materially impact the Company's financial condition or results of operations.

3. Critical accounting estimates (continued)

(v) Contingent consideration receivable from divestments of products or businesses

The Company is eligible to receive contingent consideration from Organogenesis and Noven in relation to the divestment of the Company's DERMAGRAFT business and DAYTRANA product, respectively. At December 31, 2014 the Company has contingent consideration assets of $15.9 million (2013: $36.1 million).

Consideration receivable by the Company on the divestment of product rights or businesses typically includes up-front receipts and/or milestones and royalties which are contingent on the outcome of future events (with such milestones and royalties being, for example, based upon the future sales performance of the divested product or business). Contingent consideration occasionally represents a significant proportion of the economic value receivable by the Company for a divested product or business. In these situations the Company initially recognizes this contingent consideration as an asset at its divestment date fair value, with re-measurement of this asset to its then current fair value at subsequent balance sheet dates.

The Company estimates the fair value of contingent consideration receivable using the income approach, based on a discounted cash flow method. This discounted cash flow approach uses significant unobservable Level 3 inputs (as defined in US GAAP) including: the probability weightings applied to different sales scenarios and related forecast future royalties receivable under scenarios developed by the Company; and the discount rate to be applied in calculating the present value of these forecast future cash flows. Significant judgment is employed by the Company in developing these estimates and assumptions. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, the Company's financial condition and results of operations could be affected in the period of any such change of estimate.

(vi) Contingent consideration payable

The fair value of the Company's contingent consideration payable at December 31, 2014 was $629.9 million (December 31, 2013: $405.9 million).

Contingent consideration payable represents (i) future milestones the Company may be required to pay in conjunction with various business combinations and (ii) future royalties payable as a result of certain business combinations and licenses. The amounts ultimately payable by Shire are dependent upon (i) the successful achievement of the relevant milestones and (ii) future net sales of the relevant products over the life of the milestone or royalty term respectively.

The Company re-measures its contingent consideration payable to its then current fair value at each balance sheet date. Gains or losses arising on changes to the fair value of contingent consideration payable are recorded within Integration and acquisition costs in the Company's consolidated statement of income.

The Company estimates the fair value of contingent consideration payable using the income approach, based on a discounted cash flow method. The discounted cash flow method uses significant unobservable Level 3 inputs (as defined under US GAAP), including: the probability of, and period in which, the relevant milestone event is expected to be achieved; the amount of royalties that will be payable based on forecast net sales of the relevant products; and the discount rates to be applied in calculating the present values of the relevant milestone or royalty. Significant judgment is employed by the Company in developing these estimates and assumptions. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, the Company's financial condition and results of operations could be materially affected in the period of any such change of estimate.

(vii) Assets held for sale

Assets held for sale comprise noncurrent assets or disposal groups (together with any liabilities), the carrying amounts of which will be realized principally through a sale transaction expected to conclude within the next 12 months, rather than through continued use.

At December 31, 2014 the carrying value of assets held for sale in the consolidated balance sheet is $nil (2013: $31.6 million).

In 2013 the assets and liabilities within this disposal group all related to the disposal of the DERMAGRAFT asset group, the divestment of which occurred on January 16, 2014. At the time of their classification as "held for sale," such assets are collectively measured at the lower of their carrying amount and fair value less costs to sell, and depreciation or amortization ceases. An impairment charge of $637.0 million was recorded in the fourth quarter of 2013 reflecting the adjustment of the DERMAGRAFT disposal group's carrying amount to its fair value less cost to sell.

Significant judgment is employed by the Company in assessing: at what point all the held for sale presentation conditions are met for the disposal group; whether it is necessary to allocate goodwill to the disposal group; and estimating both the fair value of the disposal group and the incremental costs to transact a sale of the disposal group. If actual events differ from management's estimates, or to the extent that estimates of selling price or costs to sell are adjusted in the future, the Company's financial condition and results of operations could be affected in the period of any such change of estimate.

4. Business combinations

Acquisition of NPS Pharmaceuticals Inc. ("NPS Pharma")

On February 21, 2015 Shire completed its acquisition of 100% of the outstanding share capital of NPS Pharma for $46 per share or approximately $5,200 million.

The acquisition of NPS Pharma, a rare disease-focused biopharmaceutical company, adds NATPARA/NATPAR, approved for the treatment of hypoparathyroidism ("HPT") in the US and GATTEX/REVESTIVE, approved for the treatment of adults with short bowel syndrome ("SBS") in the US and the EU, to Shire's portfolio.

The acquisition of NPS Pharma will be accounted for as a business combination using the acquisition method. The assets acquired and the liabilities assumed from NPS Pharma will be recorded at the date of acquisition, at their fair value. Shire's consolidated financial statements will reflect these fair

4. Business combinations (continued)

values at, and the results of NPS Pharma will be included in Shire's consolidated statement of income from, February 21, 2015. As the initial accounting for the business combination has not yet been completed, further disclosures relating to this acquisition will be included in the Company's Form 10-Q for the three months ended March 31, 2015.

Acquisition of Meritage Pharma Inc. ("Meritage")

Prior to the acquisition of ViroPharma by Shire (see below), ViroPharma had entered into an exclusive development and option agreement with Meritage, a privately owned US company focusing on developing oral budesonide suspension as a treatment for eosinophilic esophagitis. Under the terms of this agreement Meritage controlled and conducted all related research up to achievement of pre-defined development success criteria at which point Shire had the option to acquire Meritage for upfront cash consideration of $69.9 million and potential additional payments of up to $175 million, upon achievement of certain clinical and regulatory milestones. On February 18, 2015 Shire acquired all the outstanding equity of Meritage. As the initial accounting for this business combination has not yet been completed, further disclosures related to this acquisition will be included in the Company's Form 10-Q for the three months ended March 31, 2015.

Acquisition of ViroPharma Incorporated ("ViroPharma")

On January 24, 2014, Shire completed its acquisition of 100% of the outstanding share capital of ViroPharma.

The acquisition-date fair value of cash consideration paid on closing was $3,997 million.

The acquisition of ViroPharma added CINRYZE (C1 esterase inhibitor [human]) to Shire's portfolio of currently marketed products. CINRYZE is a leading brand for the prophylactic treatment of Hereditary Angioedema ("HAE") in adolescents and adults.

The acquisition of ViroPharma has been accounted for as a business combination using the acquisition method. The assets acquired and the liabilities assumed from ViroPharma have been recorded at their fair values at the date of acquisition, being January 24, 2014. The Company's consolidated financial statements include the results of ViroPharma from January 24, 2014.

The amount of ViroPharma's post acquisition revenues and pre-tax losses included in the Company's consolidated statement of income for the year to December 31, 2014 were $538.1 million and $77.8 million, respectively. The pre-tax loss includes charges on the unwind of inventory fair value adjustments of $91.9 million, intangible asset amortization of $106.6 million and integration costs of $101.1 million.

The purchase price allocation was finalized in the fourth quarter of 2014. During the measurement period the Company obtained improved information about the acquisition date fair value of the IPR&D asset VP20621, a non-toxigenic strain of C difficile for the treatment and prevention of C difficile-associated diarrhea ("CDAD").

Identifiable assets acquired and liabilities assumed	Preliminary fair value (as initially reported) $'M	Measurement period adjustments $'M	Acquisition date fair value (as adjusted) $'M
Assets			
Current assets:			
Cash and cash equivalents	232.6		232.6
Short-term investments	57.8		57.8
Accounts receivable	52.2		52.2
Inventories	203.5	0.1	203.6
Deferred tax assets	100.2	0.5	100.7
Purchased call option	346.7		346.7
Other current assets	42.5	8.4	50.9
Total current assets	1,035.5	9.0	1,044.5
Non-current assets:			
Property, plant and equipment	24.7		24.7
Goodwill	1,536.6	118.9	1,655.5
Other intangible assets			
– Currently marketed products	2,320.0		2,320.0
– In-Process Research and Development ("IPR&D")	530.0	(215.0)	315.0
Other non-current assets	11.6	(1.2)	10.4
Total assets	5,458.4	(88.3)	5,370.1
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	116.6	6.1	122.7
Convertible bond	551.4		551.4
Non-current liabilities:			
Deferred tax liabilities	695.9	(92.4)	603.5
Other non-current liabilities	97.5	(2.0)	95.5
Total liabilities	1,461.4	(88.3)	1,373.1
Fair value of identifiable assets acquired and liabilities assumed	3,997.0		3,997.0
Consideration			
Cash consideration paid	3,997.0		3,997.0

4. Business combinations (continued)

This information primarily comprises insights gained from continued divestment efforts with a number of pharmaceutical companies during 2014. The conclusion of this process in the fourth quarter indicated that the acquisition date fair value of this IPR&D asset should be adjusted. As a result the Company has retrospectively adjusted the preliminary amounts recognized as at the acquisition date to reflect this new information. The adjustment reduced the fair value of IPR&D intangible assets acquired by $215 million and reduces the related non-current deferred tax liability by $80.2 million. The residual difference of $134.8 million has been recorded as an increase in goodwill. The Company's allocation of the purchase price to the fair value of assets acquired and liabilities assumed, including the measurement period adjustment with respect to VP20621 and certain other immaterial measurement period adjustments during 2014, is outlined in the table opposite.

(a) Other intangible assets – currently marketed products

Other intangible assets totaled $2,320.0 million at the date of acquisition, relating to intellectual property rights acquired for ViroPharma's currently marketed products, primarily attributed to CINRYZE, for the routine prophylaxis against HAE attacks in adolescent and adult patients. Shire also obtained intellectual property rights to three other commercialized products, PLENADREN, an orphan drug for the treatment of adrenal insufficiency in adults, BUCCOLAM, an oromucosal solution for the treatment of prolonged, acute, and convulsive seizures in infants, toddlers, children and adolescents and VANCOCIN, an oral capsule formulation for the treatment of C. difficile-associated diarrhea ("CDAD"), which was divested by Shire in the third quarter of 2014 (see Note 5 for details). The fair value of currently marketed products has been estimated using an income approach, based on the present value of incremental after tax cash flows attributable to each separately identifiable intangible asset.

The estimated useful lives of the CINRYZE, PLENADREN and BUCCOLAM intangible assets range from 10 to 23 years (weighted average 22 years), with amortization being recorded on a straight line basis.

(b) Other intangible assets – IPR&D

The IPR&D asset of $315.0 million relates to maribavir (now SHP620), an investigational antiviral product for cytomegalovirus. The fair value of this IPR&D asset was estimated based on an income approach, using the present value of incremental after tax cash flows expected to be generated by this development project after the deduction of contributory asset charges for other assets employed in this project. The estimated cash flows have been probability adjusted to take into account the stage of completion and the remaining risks and uncertainties surrounding the future development and commercialization.

The major risks and uncertainties associated with the timely completion of the acquired IPR&D project include the ability to confirm the efficacy of the technology based on the data from clinical trials, and obtaining the relevant regulatory approvals as well as other risks as described in the Company's annual report on Form 10-K. The valuation of IPR&D has been based on information available at the time of the acquisition (and information obtained during the measurement period) and on expectations and assumptions that (i) have been deemed reasonable by the Company's management and (ii) are based on information, expectations and assumptions that would be available to a market participant. However, no assurance can be given that the assumptions and events associated with such assets will occur as projected. For these reasons, the actual cash flows may vary from forecast future cash flows.

The estimated probability adjusted after tax cash flows used in fair valuing other intangible assets have been discounted at rates ranging from 9.5% to 10.0%.

(c) Goodwill

Goodwill arising of $1,655.5 million, which is not deductible for tax purposes, includes the expected operational synergies that will result from combining the commercial operations of ViroPharma with those of Shire (valued at approximately $0.4 billion); other synergies expected to be realized due to Shire's structure; intangible assets that do not qualify for separate recognition at the time of the acquisition; and the value of the assembled workforce.

	2014 $'M	2013 $'M
Revenues	**6,053.9**	5,374.9
Net income from continuing operations	**3,283.9**	1,163.8
Per share amounts:		
Net income from continuing operations per share – basic	**560.1c**	210.8c
Net income from continuing operations per share – diluted	**555.7c**	197.2c

The unaudited pro forma financial information above reflects the following pro forma adjustments:

(i) an adjustment to decrease net income by $25.3 million for the year December 31, 2013 to reflect acquisition costs incurred by Shire, and increase net income by $25.3 million for the year to December 31, 2014 to eliminate acquisition costs incurred;

(ii) an adjustment to decrease net income by $59.0 million for the year to December 31, 2013,to reflect charges on the unwind of inventory fair value adjustments as acquisition date inventory is sold, and a corresponding increase in net income for the year to December 31, 2014;

(iii) an adjustment of $48.1 million in year to December 31, 2013 to reflect additional interest expense associated with the drawdown of debt to partially finance the acquisition of ViroPharma and the amortization of related deferred debt issuance costs;

(iv) an adjustment to increase amortization expense by approximately $5.4 million in the year to December 31, 2014 and $58.3 million in the period to December 31, 2013, related to amortization of the fair value of identifiable intangible assets acquired and the elimination of ViroPharma's historical intangible asset amortization expense;

(v) an adjustment to reflect the additional depreciation expense ($0.1 million and $0.6 million in the year to December 31, 2014 and December 31, 2013 respectively) related to the fair value adjustment to property, plant and equipment acquired;

The adjustments above are stated net of tax effects, where applicable.

4. Business combinations (continued)

In the year to December 31, 2014 the Company expensed costs of $135.5 million (2013: $12.8 million) relating to the acquisition and post-acquisition integration of ViroPharma, which have been recorded within Integration and acquisition costs in the Company's consolidated statement of income.

Supplemental disclosure of pro forma information

The following unaudited pro forma financial information presents the combined results of the operations of Shire and ViroPharma as if the acquisition of ViroPharma had occurred as at January 1, 2013. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations actually would have been had the acquisition been completed at the date indicated. In addition, the unaudited pro forma financial information does not purport to project the future results of operations of the combined Company.

Acquisition of Lumena Pharmaceuticals, Inc. ("Lumena")

On June 11, 2014 Shire completed the acquisition of 100% of the outstanding share capital of Lumena, a privately owned US incorporated biopharmaceutical company. The acquisition date fair value of the consideration totaled $464.3 million, comprising cash consideration paid on closing of $300.3 million and the fair value of contingent consideration payable of $164 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $265 million dependent upon achievement of certain clinical development milestones.

This acquisition brings two novel, orally active therapeutic compounds SHP625 (formerly LUM001), in Phase 2 clinical development and SHP626 (formerly LUM002), ready to enter Phase 1b clinical development in the first half of 2015. Both compounds are inhibitors of the apical sodium-dependent bile acid transport ("ASBT"), which is primarily responsible for recycling bile acids from the intestine to the liver. SHP625 is being investigated for the potential relief of the extreme itching associated with cholestatic liver disease and three other indications. SHP626 is in development for the treatment of nonalcoholic steatohepatitis.

The acquisition of Lumena has been accounted for as a business combination using the acquisition method. The assets and liabilities assumed from Lumena have been recorded at their fair values at the date of acquisition, being June 11, 2014. The Company's consolidated financial statements and results of operations include the results of Lumena from June 11, 2014.

The purchase price has been allocated to acquired IPR&D ($467 million), net current assets assumed ($52.6 million, including cash of $46.3 million), net non-current liabilities assumed (including deferred tax liabilities) ($169.9 million) and goodwill ($114.6 million). Goodwill arising of $114.6 million is not deductible for tax purposes.

In the year to December 31, 2014 the Company expensed costs of $6.9 million (2013: $nil) relating to the Lumena acquisition, which have been recorded within Integration and acquisition costs in the Company's consolidated income statement.

Unaudited pro forma financial information to present the combined results of operations of Shire and Lumena are not provided as the impact of this acquisition is not material to the Company's results of operations for any period presented.

Acquisition of Fibrotech Therapeutics Pty Ltd. ("Fibrotech")

On July 4, 2014 Shire completed its acquisition of Fibrotech, an Australian biopharmaceutical company developing a new class of orally available drugs with a novel mechanism of action which has the potential to address both the inflammatory and fibrotic components of disease processes. The acquisition of Fibrotech is expected to strengthen the Company's growing and innovative portfolio targeting renal and fibrotic diseases, and leverage existing renal capabilities.

The acquisition date fair value of the consideration totaled $122.6 million, comprising cash consideration paid on closing of $75.6 million and the fair value of contingent consideration payable of $47 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $482.5 million dependent upon achievement of certain clinical development, regulatory and commercial milestones.

The acquisition of Fibrotech has been accounted for as a business combination using the acquisition method. The assets and liabilities assumed from Fibrotech have been recorded at their fair values at the date of acquisition being July 4, 2014. The Company's consolidated financial statements and results of operations include the results of Fibrotech from July 4, 2014.

The purchase price has been allocated to acquired IPR&D ($11 million), net current assets ($1.4 million) and goodwill ($110.2 million). Goodwill arising of $110.2 million is not expected to be deductible for tax purposes. Goodwill generated from the acquisition was primarily attributed to acquired scientific knowledge in fibrotic diseases and the potential to optimize the novel mechanism of action to other fibrotic conditions.

In the year to December 31, 2014 the Company expensed costs of $3.3 million (2013: $nil) relating to the Fibrotech acquisition, which have been recorded within Integration and acquisition costs in the Company's consolidated income statement.

Unaudited pro forma financial information to present the combined results of operations of Shire and Fibrotech are not provided as the impact of this acquisition is not material to the Company's results of operations for any period presented.

Other Acquisitions

On July 9, 2014 Shire acquired BIKAM Pharmaceuticals, Inc. ("BIKAM"), a US-based biopharmaceutical company with pre-clinical compounds that could provide an innovative approach to treating autosomal dominant retinitis pigmentosa (adRP). In the third quarter of 2014 Shire also acquired certain assets and employees related to the production of BUCCOLAM from its previous contract manufacturer SCM Pharma Limited ("SCM"). The aggregate acquisition date fair value of the consideration for these two acquisitions was $17.9 million, comprising cash paid on closing of $12.1 million and the fair value of contingent

4. Business combinations (continued)

consideration payable in respect of BIKAM of $5.8 million. In respect of BIKAM the maximum contingent consideration which may be payable by Shire in future periods is $92 million contingent upon the achievement of certain development, regulatory and commercial milestones.

In connection with these two acquisitions, Shire has recorded $1 million in current assets, $4.8 million in non-current assets and $12.1 million in goodwill.

Unaudited pro forma financial information to present the combined results of operations of Shire, BIKAM and SCM are not provided as the impact of these acquisitions is not material to the Company's results of operations for any period presented.

Acquisition of SARcode Bioscience Inc. ("SARcode")

On April 17, 2013 Shire completed the acquisition of 100% of the outstanding share capital of SARcode. The acquisition date fair value of consideration totaled $368 million, comprising cash consideration paid on closing of $151 million and the acquisition date fair value of contingent consideration payable of $217 million. Following top-line Phase 3 study results in December 2013, the maximum amount of contingent cash consideration which may now be payable by Shire in future periods is $225 million dependent upon achievement of certain net sales milestones.

This acquisition brings the global rights of a new Phase 3 compound, lifitegrast (now SHP606), currently under development for the treatment of Dry Eye disease, into Shire's portfolio. Top-line results from OPUS-2, a Phase 3 efficacy and safety study of 5.0% SHP606 ophthalmic solution, were announced on December 6, 2013. On April 30, 2014 Shire announced top-line results from the prospective randomized, double masked, placebo-controlled SONATA trial which indicated no ocular or drug-related serious adverse events. Following a meeting with the FDA, on May 16, 2014 Shire announced that it intends to submit an NDA for SHP606 in the first quarter of 2015 as a treatment for signs and symptoms for Dry Eye Disease in adults.

The acquisition of SARcode has been accounted for as a business combination using the acquisition method. The assets and liabilities assumed from SARcode have been recorded at their fair values at the date of acquisition, being April 17, 2013. The Company's consolidated financial statements and results of operations include the results of SARcode from April 17, 2013.

The purchase price has been allocated to acquired in process research and development ("IPR&D") in respect of SHP606 ($412 million), net current liabilities assumed ($8.2 million), net non-current liabilities assumed, including deferred tax liabilities ($122.4 million) and goodwill ($86.6 million). This acquisition resulted in goodwill of $86.6 million, which is not deductible for tax purposes. Goodwill includes the value of the assembled workforce and the related scientific expertise in ophthalmology which allows for potential expansion into a new therapeutic area.

In the year to December 31, 2014 the Company recorded costs of $62.9 million (2013: a net credit of $170.7 million) within Integration and acquisition costs relating to the acquisition of SARcode. The charge in 2014 and the credit in 2013 arises principally due to re-measuring the fair value of contingent consideration payable.

Acquisition of Premacure AB ("Premacure")

On March 8, 2013 Shire completed the acquisition of 100% of the outstanding share capital of Premacure, a privately-owned Swedish biotechnology company. The acquisition date fair value of the consideration totaled $140.2 million, comprising cash consideration paid on closing of $30.6 million, and the fair value of contingent consideration payable of $109.6 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods, dependent upon the successful completion of certain development and commercial milestones, is $169 million. Shire will also pay royalties on relevant net sales.

Premacure was developing a protein replacement therapy SHP607 (formerly referred to as "PREMIPLEX®"), currently in Phase 2 development, for the prevention of Retinopathy of Prematurity ("ROP"). ROP is a rare and potentially blinding eye disorder that primarily affects premature infants and is one of the most common causes of visual loss in childhood. Together, the acquisitions of SARcode and Premacure build Shire's presence in the ophthalmic therapeutic area.

The acquisition of Premacure has been accounted for as a business combination using the acquisition method. The assets and the liabilities assumed from Premacure have been recorded at their fair values at the date of acquisition, being March 8, 2013. The Company's consolidated financial statements and results of operations include the results of Premacure from March 8, 2013.

The purchase price has been allocated to acquired IPR&D in respect of SHP607 ($151.8 million), net current liabilities assumed ($11.7 million), net non-current liabilities assumed, including deferred tax liabilities ($29.5 million) and goodwill ($29.6 million). This acquisition resulted in goodwill of $29.6 million, which is not deductible for tax purposes.

In the year to December 31, 2014 the Company expensed costs of $33.9 million (2013: $9.5 million) relating to the acquisition of Premacure (including charges related to the change in fair value of contingent consideration payable), which have been recorded within Integration and acquisition costs in the Company's consolidated income statement.

Acquisition of Lotus Tissue Repair, Inc. ("Lotus Tissue Repair")

On February 12, 2013 Shire completed the acquisition of 100% of the outstanding share capital of Lotus Tissue Repair, a privately-owned US biotechnology company. The acquisition date fair value of consideration totaled $174.2 million, comprising cash consideration paid on closing of $49.4 million, and the fair value of contingent consideration payable of $124.8 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $275 million. The amount of contingent cash consideration ultimately payable by Shire is dependent upon achievement of certain pre-clinical and clinical development milestones.

4. Business combinations (continued)

Lotus Tissue Repair was developing a proprietary recombinant form of human collagen Type VII ("rC7") as the first and only intravenous protein replacement therapy currently being investigated for the treatment of Dystrophic Epidermolysis Bullosa ("DEB"). DEB is a devastating orphan disease for which there is no currently approved treatment option other than palliative care. The acquisition adds to Shire's pipeline a late-stage pre-clinical product for the treatment of DEB with global rights.

The acquisition of Lotus Tissue Repair has been accounted for as a business combination using the acquisition method. The assets and the liabilities assumed from Lotus Tissue Repair have been recorded at their fair values at the date of acquisition, being February 12, 2013. The Company's consolidated financial statements and results of operations include the results of Lotus Tissue Repair from February 12, 2013.

The purchase price has been allocated to acquired IPR&D in respect of rC7, now SHP608 ($176.7 million), net current assets assumed ($6.8 million), net non-current liabilities assumed, including deferred tax liabilities ($63.4 million) and goodwill ($54.1 million). This acquisition resulted in goodwill of $54.1 million, which is not deductible for tax purposes.

In the year to December 31, 2014 the Company expensed costs of $10.1 million (2013: $2.3 million) relating to the acquisition and integration of Lotus Tissue Repair, which have been recorded within integration and acquisition costs in the Company's consolidated income statement.

Acquisition of FerroKin BioSciences, Inc. ("FerroKin")

On April 2, 2012 Shire completed the acquisition of 100% of the outstanding share capital of FerroKin. The acquisition date fair value of consideration totaled $159.3 million, comprising cash consideration paid on closing of $94.5 million and the fair value of contingent consideration payable of $64.8 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is $225.0 million. The amount of contingent cash consideration ultimately payable by Shire is dependent upon the achievement of certain clinical development, regulatory and net sales milestones.

The acquisition of FerroKin adds global rights to a Phase 2 product SHP602 (formerly referred to as FBS0701), to Shire's pipeline. SHP602 is intended to serve a chronic patient need for treatment of iron overload following numerous blood transfusions. In the first quarter of 2014, Shire decided to place the ongoing Phase 2 clinical trial in pediatric and adult patients on hold while certain nonclinical findings are analysed and evaluated.

The acquisition of FerroKin has been accounted for as a business combination using the acquisition method. The assets acquired and the liabilities assumed from FerroKin have been recorded at their fair values at the date of acquisition, being April 2, 2012. The Company's consolidated financial statements and results of operations include the results of FerroKin from April 2, 2012.

The purchase price has been allocated to acquired IPR&D in respect of SHP602 ($166.0 million), net current liabilities assumed ($6.6 million), net non-current liabilities assumed (including deferred tax liabilities) ($46.2 million) and goodwill ($46.1 million). Goodwill arising of $46.1 million is not deductible for tax purposes.

Following the decision to place the ongoing Phase 2 clinical trials on hold, the Company recorded an impairment charge in respect of SHP602 of $166.0 million in the consolidated income statement. For further information, see Note 14.

In the year to December 31, 2014 the Company recorded a net credit of $71.4 million (2013: a charge of $10.4 million) relating to the FerroKin acquisition, which has been recorded within Integration and acquisition costs in the Company's consolidated statement of income. The credit in 2014 arises principally due to re-measuring the fair value of contingent consideration payable following the decision to place the ongoing Phase 2 clinical trial for SHP602 on clinical hold.

Acquisition of certain assets & liabilities of Pervasis Therapeutics, Inc. ("Pervasis")

On April 19, 2012 Shire acquired substantially all the assets and certain liabilities of Pervasis. The acquisition date fair value of the consideration totaled $26.1 million, comprising cash consideration paid on closing of $2.5 million and the fair value of contingent consideration payable of $23.6 million. The maximum amount of contingent cash consideration which may be payable by Shire in future periods is up to $169.5 million. The amount of contingent cash consideration ultimately payable by Shire is dependent upon achievement of certain clinical development, regulatory and net sales milestones.

The acquisition has been accounted for as a business combination using the acquisition method. The assets acquired and the liabilities assumed from Pervasis have been recorded at their fair values at the date of acquisition, being April 19, 2012. The Company's consolidated financial statements and results of operations include the results of the assets acquired and the liabilities assumed from Pervasis from April 19, 2012. The purchase price has been allocated to acquired IPR&D (principally for SHP613, formerly referred to as VASCUGEL®) ($24.3 million), current liabilities assumed ($0.2 million) and goodwill ($2.0 million). Goodwill arising of $2.0 million is not deductible for tax purposes.

In the second quarter of 2014 the Company identified indicators of impairment in respect of SHP613 and recorded an impairment charge of $22.0 million in the consolidated income statement. For further information, see Note 14.

In the year to December 31, 2014 the Company recorded a net credit of $23.1 million (2013: $nil) principally due to re-measuring the fair value of the contingent consideration payable, following the decision to discontinue further development of SHP613.

5. Divestment of product rights

On January 1, 2014 the Company transferred the marketing authorizations for the CALCICHEW range of products in the UK and Ireland to Takeda Pharmaceutical Company Limited. In addition, in the first quarter of 2014 Shire received cash consideration of $43.5 million from the sale of certain CALCICHEW trade marks to Takeda Nycomed AS ("Takeda"), resulting in a gain (net of taxes) of $43.5 million being recorded in the consolidated statement of income.

In the third quarter of 2014 the Company completed the divestment of its rights to VANCOCIN, ESTRACE and EXPUTEX. The Company received aggregate cash consideration of $64.9 million on the disposal of these non-core products, resulting in a gain (net of taxes) of $32.9 million being recorded in the consolidated statement of income.

In the year to December 31, 2014 the Company recorded total gains on the sale of product rights, before taxes, of $88.2 million (2013: $15.9 million, 2012: $18.1 million), related to the sale of CALCICHEW trademarks to Takeda, the re-measurement of contingent consideration receivable from the divestment of DAYTRANA and the sale of non-core products.

6. Reorganization costs

One Shire business reorganization

On May 2, 2013, the Company initiated the reorganization of its business to integrate the three divisions into a simplified One Shire organization in order to drive future growth and innovation.

As part of the One Shire reorganization, the Company undertook a review of all of its pipeline programs and identified those projects that fit with the Company's new strategic direction and have an acceptable likelihood of success. Following that review, and overall streamlining of the R&D organization, several clinical and pre-clinical projects were discontinued which resulted in the elimination of a significant number of R&D roles and functional roles that support R&D in Basingstoke, and some positions were re-located.

In addition the Company also relocated its international commercial hub from Nyon, Switzerland to Zug, Switzerland in 2013. All Nyon-based employees were affected by the move to Zug. Shire is now operating from its new Zug office and is providing employees with a reasonable period of time to manage their relocations.

Certain aspects of the One Shire program were temporarily put on hold due to AbbVie's offer for Shire, which was terminated in October 2014. Subsequent to the termination of AbbVie's offer, Shire announced on November 10, 2014 its plans to relocate over 500 positions to Massachusetts from its Chesterbrook, Pennsylvania, site and establish Lexington, Massachusetts, as the Company's US operational headquarters in continuation of the One Shire efficiency program. This relocation will streamline business globally through two principal locations, Massachusetts and Switzerland, with support from regional and country-based offices around the world.

In the year to December 31, 2014 the Company incurred reorganization costs totaling $180.9 million, relating to employee involuntary termination benefits and other reorganization costs. Reorganization costs of $245.5 million have been incurred since May 2013. The One Shire reorganization is expected to be substantially completed by the first quarter of 2016. Currently, the Company estimates that further costs in respect of the One Shire reorganization of approximately $130 million will be expensed as incurred during 2015 and 2016.

The liability for reorganization costs arising from the One Shire business reorganization at December 31, 2014 is as follows:

	Opening liability at January 1, 2014 $'M	Amount charged to re-organization $'M	Paid/Utilized $'M	Closing liability at December 31, 2014 $'M
Involuntary termination benefits	15.3	156.3	(133.6)	38.0
Other reorganization costs	9.5	24.6	(34.1)	–
	24.8	180.9	(167.7)	38.0

At December 31, 2014 the closing reorganization cost liability was recorded within accounts payable and accrued expenses.

7. Integration and acquisition costs

For the year to December 31, 2014 Shire recorded integration and acquisition costs of $158.8 million (2013: a net credit of $134.1 million, 2012: $13.5 million), comprising costs of $144.1 million primarily related to the acquisition and integration of ViroPharma and a net charge of $14.7 million relating to the change in fair values of contingent consideration liabilities. The change in fair value of contingent consideration liabilities in the year to December 31, 2014 principally relates to the acquisition of SARcode, reflecting Shire's increased confidence in the SHP606 program and the acquisition of FerroKin, reflecting the decision to place the ongoing Phase 2 clinical trial for SHP602 on clinical hold.

In the year to December 31, 2013 integration and acquisition costs primarily related to the acquisitions of SARcode and Lotus Tissue Repair Inc. ("Lotus Tissue Repair") in addition to net charges related to the change in fair values of contingent consideration liabilities.

8. Accounts receivable, net

Accounts receivable at December 31, 2014 of $1,035.1 million (December 31, 2013: $961.2 million), are stated net of a provision for discounts and doubtful accounts of $48.5 million (December 31, 2013: $47.9 million, 2012: $41.7 million).

Provision for discounts and doubtful accounts:

	2014 $'M	2013 $'M	2012 $'M
As at January 1,	**47.9**	41.7	31.1
Provision charged to operations	**338.2**	306.8	283.3
Provision utilization	**(337.6)**	(300.6)	(272.7)
As at December 31,	**48.5**	47.9	41.7

At December 31, 2014 accounts receivable included $59.0 million (December 31, 2013: $37.8 million) related to royalty income.

9. Inventories

Inventories are stated at the lower of cost or market and comprise:

	December 31, 2014 $'M	December 31, 2013 $'M
Finished goods	**136.0**	156.6
Work-in-progress	**305.3**	240.5
Raw materials	**103.5**	58.2
	544.8	455.3

10. Results of discontinued operations

Following the divestment of the Company's DERMAGRAFT business in January 2014, the operating results associated with the DERMAGRAFT business have been classified as discontinued operations in the consolidated statements of income for all periods presented. The components of discontinued operations which relate to the DERMAGRAFT business are as follows:

	2014 $'M	2013 $'M	2012 $'M
Revenues:			
Product revenues	**1.9**	89.8	153.8
Loss from discontinued operations before income taxes	**(88.6)**	(1,080.9)	(96.4)
Income taxes	**211.3**	326.4	36.1
Gain/(loss) from discontinued operations, net of taxes	**122.7**	(754.5)	(60.3)

The gain from discontinued operations in the year to December 31, 2014 is $122.7 million, net of tax. This gain includes a tax credit of $211.3 million primarily driven by a tax benefit arising following a reorganization of the RM business undertaken in the fourth quarter of 2014, associated with the divestment of the DERMAGRAFT business in the first quarter of 2014. This gain was partially offset by costs associated with the divestment of the DERMAGRAFT business, including a loss of $33.6 million as a result of re-measuring to fair value the contingent consideration receivable from Organogenesis.

The loss from discontinued operations before income taxes in the year to December 31, 2013 includes a charge of $191.8 million, being the proportion of the former Regenerative Medicine ("RM") reporting unit goodwill impairment charge that related to the DERMAGRAFT business, $636.9 million being the impairment charge recorded upon re-measurement of the divested assets to their fair value less costs to sell in the fourth quarter of 2013, and $99.6 million being amounts previously recorded to Reorganization costs in relation to the DERMAGRAFT business.

11. Prepaid expenses and other current assets

	December 31, 2014 $'M	December 31, 2013 $'M
Prepaid expenses	**36.9**	29.4
Income tax receivable	**121.5**	177.4
Value added taxes receivable	**13.8**	14.5
Other current assets	**49.3**	41.7
	221.5	263.0

12. Property, plant and equipment, net

	December 31, 2014 $'M	December 31, 2013 $'M
Land and buildings	**717.1**	695.0
Office furniture, fittings and equipment	**494.2**	467.0
Warehouse, laboratory and manufacturing equipment	**290.0**	276.2
Assets under construction	**43.9**	45.6
	1,545.2	1,483.8
Less: Accumulated depreciation	**(707.7)**	(592.0)
	837.5	891.8

Depreciation expense for the years to December 31, 2014, 2013 and 2012 was $163.5 million, $127.6 million, and $109.0 million respectively.

13. Goodwill

	December 31, 2014 $'M	December 31, 2013 $'M
Goodwill arising on businesses acquired	**2,474.9**	624.6

In the year to December 31, 2014 the Company completed the acquisitions of ViroPharma, Lumena, Fibrotech, BIKAM and certain assets and employees relating to the manufacture of BUCCOLAM, which resulted in aggregate goodwill with a preliminary value of $1,890.5 million (see Note 4 for details).

	2014 $'M	2013 $'M
As at January 1,	**624.6**	644.5
Acquisitions	**1,890.5**	170.3
Goodwill impairment charge related to continuing operations	**–**	(7.1)
Goodwill impairment charge related to DERMAGRAFT business recorded to discontinued operations	**–**	(191.8)
Foreign currency translation	**(40.2)**	8.7
As at December 31,	**2,474.9**	624.6

In the year to December 31, 2013 the Company recorded an impairment charge of $198.9 million related to the goodwill allocated to the former RM reporting unit. Following the divestment of the DERMAGRAFT business, $191.8 million of the impairment charge was reclassified to discontinued operations, being the portion of the former RM reporting unit goodwill impairment charge that related to the DERMAGRAFT business.

14. Other intangible assets, net

	December 31, 2014 $'M	December 31, 2013 $'M
Amortized intangible assets		
Intellectual property rights acquired for currently marketed products	**4,816.9**	2,573.3
Other intangible assets	**30.0**	46.1
	4,846.9	2,619.4
Unamortized intangible assets		
Intellectual property rights acquired for IPR&D	**1,550.0**	951.5
	6,396.9	3,570.9
Less: Accumulated amortization	**(1,462.5)**	(1,258.3)
	4,934.4	2,312.6

14. Other intangible assets, net (continued)

The change in the net book value of other intangible assets for the year to December 31, 2014 and 2013 is shown in the table below:

	Other intangible assets	
	2014 $'M	2013 $'M
As at January 1,	**2,312.6**	2,388.1
Acquisitions	**3,118.6**	731.8
Divestment of non-core products (refer to Note 5)	**(17.3)**	–
Amortization charged	**(243.8)**	(152.0)
Amortization charged on DERMAGRAFT product technology, presented within discontinued operations in the consolidated income statement	**–**	(39.4)
Impairment charges	**(190.3)**	(19.9)
Reclassification of DERMAGRAFT product technology to assets held-for-sale	**–**	(611.4)
Foreign currency translation	**(45.4)**	15.4
As at December 31,	**4,934.4**	2,312.6

In the year to December 31, 2014 the Company acquired intangible assets totaling $3,118.6 million, primarily relating to the fair value of intangible assets for currently marketed products acquired with ViroPharma of $2,320.0 million and IPR&D assets of $782.0 million which were acquired with ViroPharma and Lumena (see Note 4 for further details).

The Company reviews its intangible assets for impairment whenever events or circumstances suggest that their carrying value may not be recoverable. In the year to December 31, 2014 the Company identified indicators of impairment in respect of its SHP602 (iron chelating agent for the treatment of iron overload secondary to chronic transfusion) and SHP613 (for the treatment of improvement in patency of arteriovenous access in hemodialysis patients) IPR&D assets.

The indicators of impairment related to SHP602 included the decision in the first quarter of 2014 to place the ongoing Phase 2 clinical trial in pediatric and adult patients on hold while certain nonclinical findings are analyzed and evaluated. The Company therefore reviewed the recoverability of its SHP602 IPR&D asset in the first quarter of 2014 and recorded an impairment charge of $166.0 million within R&D expenses in the consolidated statement of income to record the SHP602 IPR&D asset to its revised fair value. This fair value was based on the revised discounted cash flow forecasts associated with SHP602, which included a reduced probability of commercial launch, and an overall delay in the forecast timing of launch.

The indicators of impairment related to SHP613 comprised the decision in the second quarter of 2014 to discontinue further development of this asset based on portfolio prioritization as well as unexpected challenges and complexities with the development program. In the second quarter of 2014 the Company recorded an impairment charge of $22.0 million within R&D expenses in the consolidated statement of income to fully write off the SHP613 IPR&D asset.

Management estimates that the annual amortization charge in respect of intangible assets held at December 31, 2014 will be approximately $227 million for each of the five years to December 31, 2019. Estimated amortization expense can be affected by various factors including future acquisitions, disposals of product rights, regulatory approval and subsequent amortization of acquired IPR&D projects, foreign exchange movements and the technological advancement and regulatory approval of competitor products.

15. Accounts payable and accrued expenses

	December 31, 2014 $'M	December 31, 2013 $'M
Trade accounts payable and accrued purchases	**247.7**	202.6
Accrued rebates – Medicaid	**563.9**	549.1
Accrued rebates – Managed care	**318.2**	258.1
Sales return reserve	**131.7**	98.8
Accrued bonuses	**150.7**	130.9
Accrued employee compensation and benefits payable	**109.1**	79.4
R&D accruals	**88.3**	69.6
Provisions for litigation losses and other claims	**15.6**	71.7
Other accrued expenses	**284.2**	228.2
	1,909.4	1,688.4

16. Other current liabilities

	December 31, 2014 $'M	December 31, 2013 $'M
Income taxes payable	**16.2**	69.0
Value added taxes	**16.6**	15.8
Contingent consideration payable	**194.5**	12.9
Other current liabilities	**35.2**	21.8
	262.5	119.5

17. Borrowings

Term Loan Agreement

2015 Facilities Agreement

On January 11, 2015, the Company entered into a $850 million Facility Agreement with, among others, Citi Global Markets Limited (acting as mandated lead arranger and bookrunner) (the "2015 Facility Agreement"). The 2015 Facility Agreement comprises a $850 million term loan facility. Shire has agreed to act as guarantor for any of its subsidiaries that are or become additional borrowers under the 2015 Facility Agreement.

The 2015 Facilities Agreement, which matures on January 10, 2016, may be used only to finance the purchase price payable in respect of Shire's acquisition of NPS Pharma (including certain related costs). The maturity date may be extended twice, at Shire's option, by six months on each occasion. On February 23, 2015 Shire requested the utilization of $850 million under the 2015 Facilities Agreement to partially finance the purchase price payable in respect of Shire's acquisition of NPS Pharma (including certain related costs).

Interest on any loans made under the 2015 Facility Agreement will be payable on the last day of each interest period, which may be one week or one, two, three or six months at the election of Shire, or as otherwise agreed with the lenders. The interest rate applicable to the 2015 Facility Agreement is LIBOR plus 0.50% per annum and increases by 0.25% per annum six months after the date of the agreement and on each subsequent date falling at three-month intervals thereafter.

Shire shall also pay a commitment fee on the available but unutilized commitments under $850 million term loan facility for the availability period applicable to each facility. With effect from first utilization, the commitment fee rate will be 35% of the applicable margin. Before first utilization, the commitment fee rate will increase in stages from 0% to 35% of the applicable margin over a period of three months.

The 2015 Facility Agreement includes customary representations and warranties, covenants and events of default, including requirements that the ratio of Net Debt to EBITDA of the Group (each as defined in the 2015 Facility Agreement) must not, at any time, exceed 3.5:1 for the Relevant Period (as defined in the 2015 Facility Agreement), except that following certain acquisitions, including the merger with NPS Pharma, Shire may elect to increase the ratio to 4.0:1 in the relevant period in which the acquisition was completed and the immediately following relevant period. In addition, for each 12-month period ending December 31 or June 30, the ratio of EBITDA of the Group to Net Interest (each as defined in the 2015 Facility Agreement) must not be less than 4.0:1.

The 2015 Facility Agreement restricts (subject to certain exceptions) Shire's ability to incur additional financial indebtedness, grant security over its assets or provide or guarantee loans. Further, any lender may require mandatory prepayment of its participation if there is a change of control of Shire. In addition, in certain circumstances, the net proceeds of certain shares, undertakings or business disposals by Shire must be applied towards the mandatory prepayment of the facility, subject to certain exceptions.

Events of default under the facility include: (i) non-payment of any amounts due under the facility, (ii) failure to satisfy any financial covenants, (iii) material misrepresentation in any of the finance documents, (iv) failure to pay, or certain other defaults, under other financial indebtedness, (v) certain insolvency events or proceedings, (vi) material adverse changes in the business, operations, assets or financial condition of Shire and its subsidiaries, (vii) if it becomes unlawful for Shire or any of its subsidiaries that are parties to the 2015 Facility Agreement to perform their obligations or (viii) if Shire or any subsidiary of Shire which is a party to the 2015 Facility Agreement repudiates the 2015 Facility Agreement or any other finance document, among others. The 2015 Facility Agreement is governed by English law.

17. Borrowings (continued)

2013 Facilities Agreement

On November 11, 2013, Shire entered into a $2,600 million facilities agreement with, among others, Morgan Stanley Bank International Limited (acting as lead arranger and agent) (the "2013 Facilities Agreement"). The 2013 Facilities Agreement comprised two credit facilities: (i) a $1,750 million term loan facility and (ii) an $850 million term loan facility.

On December 13, 2013 and at various points during the year to December 31, 2014, the Company cancelled part of the $2,600 million term loan facility. At December 31, 2014 the 2013 Facilities Agreement comprised an $850 million term loan facility which matures on November 11, 2015 and was fully utilized. All other terms and conditions remain unchanged.

The $850 million term loan facility, which matures on November 11, 2015, has been used to finance the purchase price payable in respect of Shire's acquisition of ViroPharma (including certain related costs).

Interest on any loans made under the facilities will be payable on the last day of each interest period, which may be one week or one, two, three or six months at the election of Shire, or as otherwise agreed with the lenders.

The interest rate applicable to the $850 million term loan facility commenced at LIBOR plus 1.15% per annum until delivery of the compliance certificate for the year ending December 31, 2013 and is subject to change depending upon the prevailing ratio of Net Debt to EBITDA of the Group (each as defined in the 2013 Facilities Agreement), in respect of the most recently completed financial year or financial half year.

The 2013 Facilities Agreement includes customary representations and warranties, covenants and events of default, including requirements that the ratio of Net Debt to EBITDA of Shire (each as defined in the 2013 Facilities Agreement) must not, at any time, exceed 3.5:1 for the Relevant Period (as defined in the 2013 Facilities Agreement), except that following certain acquisitions, including the ViroPharma acquisition, Shire may elect to increase the ratio to 4.0:1 in the relevant period in which the acquisition was completed and the immediately following relevant period. In addition, for each 12-month period ending December 31 or June 30, the ratio of EBITDA of the Group to Net Interest (each as defined in the 2013 Facilities Agreement) must not be less than 4.0:1.

The 2013 Facilities Agreement restricts (subject to certain covenants) Shire's ability to incur additional financial indebtedness, grant security over its assets or provide or guarantee loans. Further, any lender may require mandatory prepayment of its participation if there is a change of control of Shire. In addition, in certain circumstances, the net proceeds of certain shares, undertakings or business disposals by Shire must be applied towards the mandatory prepayment of the facilities, subject to certain exceptions.

Events of default under the facilities include: (i) non-payment of any amounts due under the facilities, (ii) failure to satisfy any financial covenants, (iii) material misrepresentation in any of the finance documents, (iv) failure to pay, or certain other defaults, under other financial indebtedness, (v) certain insolvency events or proceedings, (vi) material adverse changes in the business, operations, assets or financial condition of Shire and its subsidiaries, (vii) if it becomes unlawful for Shire or any of its subsidiaries that are parties to the 2013 Facilities Agreement to perform their obligations or (viii) if Shire or any subsidiary of Shire which is a party to the 2013 Facilities Agreement repudiates the 2013 Facilities Agreement or any other finance document, among others. The 2013 Facilities Agreement is governed by English law.

Revolving Credit Facility ("RCF")

On December 12, 2014, Shire entered into a $2,100 million revolving credit facilities agreement (the "RCF") with a number of financial institutions, for which Abbey National Treasury Services PLC (trading as Santander Global Banking and Markets), Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citigroup Global Markets Limited, Lloyds Bank PLC, The Royal Bank of Scotland PLC and Sumitomo Mitsui Banking Corporation acted as mandated lead arrangers and bookrunners and DNB Bank ASA, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Credit Suisse AG, London Branch, Deutsche Bank Luxembourg S.A., Goldman Sachs Bank USA, Mizuho Bank, Ltd. and Morgan Stanley Bank International Limited acted as arrangers. Shire is an original borrower under the RCF and has agreed to act as guarantor for its subsidiaries, which are also original borrowers and for any other of its subsidiaries that become additional borrowers thereunder. At December 31, 2014 the RCF was undrawn. On February 23, 2015 Shire requested the utilization of $1,300 million under the RCF to partially finance the purchase price payable in respect of Shire's acquisition of NPS Pharma (including certain related costs).

The RCF, which terminates on December 12, 2019, may be applied towards financing the general corporate purposes of Shire. The RCF incorporates a $250 million US Dollar and Euro swingline facility operating as a sub-limit thereof.

The RCF became immediately available for general corporate purposes as outlined above, on satisfaction of certain customary conditions precedent including the cancellation of Shire's existing multicurrency term and revolving facilities agreement dated November 23, 2010 (the "2010 RCF") with a number of financial institutions, for which Abbey National Treasury Services PLC, Bank of America Merrill Lynch International Limited (formerly Banc of America Securities Limited), Barclays Bank PLC (formerly Barclays Capital), Citigroup Global Markets Limited, Lloyds Bank PLC (formerly Lloyds TSB Bank PLC) and The Royal Bank of Scotland PLC acted as lead arrangers (the facilities under which at such time were undrawn).

17. Borrowings (continued)

Interest on any loans made under the RCF will be payable on the last day of each interest period, which may be one week or one, two, three or six months at the election of Shire, or as otherwise agreed with the lenders. The interest rate for the RCF will be: LIBOR (or, in relation to any revolving loan in Euro, EURIBOR); plus 0.30% per year until delivery of the first compliance certificate required to be delivered after the date of the RCF, subject to change thereafter depending upon (i) the prevailing ratio of Net Debt to EBITDA (each as defined in the RCF) in respect of the most recently completed financial year or financial half year and (ii) the occurrence and continuation of an event of default in respect of the financial covenants or the failure to provide a compliance certificate.

Shire shall also pay (i) a commitment fee equal to 35% per year of the applicable margin on available commitments under the RCF for the availability period applicable thereto and (ii) a utilization fee equal to (a) 0.10% per year of the aggregate of the amount requested by the borrower in a utilization request (the "Base Currency Amount") of all outstanding loans up to an aggregate Base Currency Amount equal to $700 million, (b) 0.15% per year of the amount by which the aggregate Base Currency Amount of all outstanding loans exceeds $700 million but is equal to or less than $1,400 million and (c) 0.30% per year of the amount by which the aggregate Base Currency Amount of all outstanding loans exceeds $1,400 million.

The RCF includes customary representations and warranties, covenants and events of default, including requirements that Shire's (i) ratio of Net Debt to EBITDA in respect of the most recently-ended 12-month Relevant Period (each as defined in the RCF) must not, at any time, exceed 3.5:1 (except that, following an acquisition fulfilling certain criteria, Shire may on a once only basis elect to increase this ratio to 4.0:1 for the Relevant Period in which the acquisition was completed and for that immediately following) and (ii) ratio of EBITDA to Net Interest for the most recently-ended 12-month Relevant Period (each as defined in the RCF) must not be less than 4.0:1.

The RCF restricts (subject to certain exceptions) Shire's ability to incur additional financial indebtedness, grant security over its assets or provide loans/grant credit. Further, any lender may require mandatory prepayment of its participation if there is a change of control of Shire, subject to certain exceptions for schemes of arrangement and analogous schemes.

Events of default under the facilities include, among others: (i) non-payment of any amounts due under the Finance Documents (as defined in the RCF), (ii) failure to satisfy any financial covenants, (iii) material misrepresentation in any of the Finance Documents, (iv) failure to pay, or certain other defaults, under other financial indebtedness, (v) certain insolvency events or proceedings, (vi) material adverse changes in the business, operations, assets or financial condition of Shire as a whole, (vii) if it becomes unlawful for Shire (or any successor parent company) or any of their respective subsidiaries that are parties to the RCF to perform their obligations thereunder or (viii) if Shire (or any successor parent company) or any subsidiary thereof which is a party to the RCF repudiates such agreement or other Finance Document. The full terms of the RCF are set out in Note 17.

18. Other non-current liabilities

	December 31, 2014 $'M	December 31, 2013 $'M
Income taxes payable	**199.2**	115.7
Deferred revenue	**7.2**	9.8
Deferred rent	**6.6**	11.3
Contingent consideration payable	**435.4**	393.0
Other non-current liabilities	**88.3**	58.7
	736.7	588.5

19. Commitments and contingencies

(a) Leases

Future minimum lease payments under operating leases at December 31, 2014 are presented below:

	Operating leases $'M
2015	49.3
2016	28.9
2017	22.2
2018	14.9
2019	13.3
Thereafter	92.5
	221.1

The Company leases land, facilities, motor vehicles and certain equipment under operating leases expiring through 2032. Lease and rental expense amounted to $32.9 million, $44.0 million and $43.2 million for the year to December 31, 2014, 2013 and 2012 respectively, which is predominately included in SG&A expenses in the Company's consolidated income statement.

19. Commitments and contingencies (continued)

(b) Letters of credit and guarantees

At December 31, 2014 the Company had irrevocable standby letters of credit and guarantees with various banks and insurance companies totaling $46 million (being the contractual amounts), providing security for the Company's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations and supply commitments.

(c) Collaborative and other licensing arrangements

Details of significant updates in collaborative and other licensing arrangements are included below:

Out-licensing arrangements

Shire has entered into various collaborative and out-licensing arrangements under which the Company has out-licensed certain product or intellectual property rights for consideration such as up-front payments, development milestones, sales milestones and/or royalty payments. In some of these arrangements Shire and the licensee are both actively involved in the development and commercialization of the licensed product and have exposure to risks and rewards dependent on its commercial success. Under the terms of these collaborative and out-licensing arrangements, the Company may receive development milestone payments up to an aggregate amount of $39 million and sales milestones up to an aggregate amount of $59 million. The receipt of these substantive milestones is uncertain and contingent on the achievement of certain development milestones or the achievement of a specified level of annual net sales by the licensee. In the year to December 31, 2014 Shire received up-front and milestone payments totaling $2.2 million (2013: $3.0 million, 2012: $18.3 million). In the year to December 31, 2014 Shire recognized milestone income of $16.7 million (2013: $5.0 million, 2012: $19.4 million) in other revenues and $46.5 million (2013: $58.3 million, 2012: $83.8 million) in product sales for shipment of product to the relevant licensee.

In-licensing arrangements

(i) Strategic licensing and collaboration agreement with ArmaGen Technologies Inc. ("ArmaGen")

On July 23, 2014 Shire and ArmaGen, a US-based privately held biotechnology company, announced a worldwide licensing and collaboration agreement to develop and commercialize AGT-182, an investigational enzyme replacement therapy ("ERT") for the potential treatment of both the central nervous system ("CNS") and somatic manifestations in patients with Hunter syndrome ("MPS II"). Under the terms of the agreement, Shire has obtained worldwide commercialization rights for AGT-182 and an equity stake in ArmaGen in exchange for an up-front cash payment of $15 million. Shire will reimburse ArmaGen for research and development work carried out by ArmaGen and pay future milestones up to a maximum of $208 million contingent upon the achievement of certain development, regulatory and commercial milestones. ArmaGen will also be entitled to royalties on future relevant net sales. In the year to December 31, 2014 Shire's share of R&D costs under this arrangement was $1.7 million, which was expensed to R&D.

Shire and ArmaGen are conducting the collaboration through a joint steering committee. As part of the agreement, ArmaGen is responsible for conducting and completing the Phase 1/2 study, after which point Shire will be responsible for further clinical development, including Phase 3 trials, and commercialization.

(ii) Research Collaboration with Santaris Pharma A/S ("Santaris") on Locked Nucleic Acid ("LNA") Drug Platform

On August 24, 2009 Shire announced that it had entered into a research collaboration with Santaris, to develop its proprietary LNA technology in a range of rare diseases. LNA technology has the benefit of shortened target validation and proof of concept, potentially increasing the speed and lowering the cost of development. As part of the joint research project Santaris will design, develop and deliver pre-clinical LNA oligonucleotides for Shire-selected orphan disease targets, and Shire will have the exclusive right to further develop and commercialize these candidate compounds on a worldwide basis.

In the year to December 31, 2014 Shire paid success milestones and other support costs of $nil (2013: $1.5 million; 2012: $3.0 million) and $0.4 million (2013: $4.5 million; 2012: $8.1 million) to Santaris respectively, which were expensed to R&D. In 2014 all existing research projects were terminated either as a result of technical failure or portfolio prioritization. Unless new target indications are nominated, Shire currently has no obligations to pay Santaris development and sales milestones, or royalties on net sales of product.

(iii) Collaboration and license agreement with Sangamo to develop therapeutics for hemophilia

On February 1, 2012 Shire and Sangamo announced that they had entered into a collaboration and license agreement to develop therapeutics for hemophilia and other monogenic diseases based on Sangamo's ZFP technology. Sangamo is responsible for all activities through submission of Investigational New Drug Applications and European Clinical Trial Applications for each product and Shire will reimburse Sangamo for its internal and external research program-related costs. Shire is responsible for clinical development and commercialization of products arising from the collaboration.

In the year to December 31, 2012 Shire made an upfront payment to Sangamo of $13.0 million, for technology access and R&D funding, which was expensed to R&D.

19. Commitments and contingencies (continued)

In the year to December 31, 2014 Shire paid success milestones and other support costs of $1.0 million (2013: $nil; 2012: $nil) and $22.6 million (2013: $15.2 million; 2012: $8.9 million) to Sangamo respectively, which were expensed to R&D. Shire has remaining obligations to pay Sangamo research, regulatory, development and commercial milestone payments up to a maximum of $213.5 million for each current indication and to pay royalties on net sales of the product.

(d) Commitments

(i) Clinical testing

At December 31, 2014 the Company had committed to pay approximately $382 million (December 31, 2013: $346 million) to contract vendors for administering and executing clinical trials. The timing of these payments is dependent upon actual services performed by the organizations as determined by patient enrollment levels and related activities.

(ii) Contract manufacturing

At December 31, 2014 the Company had committed to pay approximately $384 million (December 31, 2013: $109 million) in respect of contract manufacturing. The Company expects to pay $125 million of these commitments in 2015. The increase in contract manufacturing commitments arises principally from commitments with ViroPharma's contract manufacturer of CINRYZE.

(iii) Other purchasing commitments

At December 31, 2014 the Company had committed to pay approximately $265 million (December 31, 2013: $128 million) for future purchases of goods and services, predominantly relating to active pharmaceutical ingredients sourcing. The Company expects to pay $244 million of these commitments in 2015. The increase in other purchasing commitments arises principally from commitments with ViroPharma's suppliers of blood plasma used in the manufacturing of CINRYZE.

(iv) Investment commitments

At December 31, 2014 the Company had outstanding commitments to subscribe for interests in companies and partnerships for amounts totaling $67 million (December 31, 2013: $14 million) which may all be payable in 2015, depending on the timing of capital calls. The investment commitments include additional funding to certain variable interest entities ("VIE") of which Shire is not the primary beneficiary.

(v) Capital commitments

At December 31, 2014 the Company had committed to spend $3 million (December 31, 2013: $12 million) on capital projects.

(e) Legal and other proceedings

The Company expenses legal costs as they are incurred.

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed substantially before the ultimate loss is known, and are therefore refined each accounting period as additional information becomes known. In instances where the Company is unable to develop a reasonable estimate of loss, no loss contingency provision is recorded at that time. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed quarterly and the estimates are changed when expectations are revised. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period. At December 31, 2014, provisions for litigation losses, insurance claims and other disputes totaled $16.9 million (December 31, 2013: $72.7 million).

The Company's principal pending legal and other proceedings are disclosed below. The outcomes of these proceedings are not always predictable and can be affected by various factors. For those legal and other proceedings for which it is considered at least reasonably possible that a loss has been incurred, the Company discloses the possible loss or range of possible loss in excess of the recorded loss contingency provision, if any, where such excess is both material and estimable.

VYVANSE

In May and June 2011, Shire was notified that six separate Abbreviated New Drug Applications ("ANDAs") were submitted under the Hatch-Waxman Act seeking permission to market generic versions of all approved strengths of VYVANSE. The notices were from Sandoz, Inc. ("Sandoz"); Amneal Pharmaceuticals LLC ("Amneal"); Watson Laboratories, Inc; Roxane Laboratories, Inc. ("Roxane"); Mylan Pharmaceuticals, Inc.; and Actavis Elizabeth LLC and Actavis Inc. (collectively, "Actavis"). Since filing suit against these ANDA filers, along with API suppliers Johnson Matthey Inc. and Johnson Matthey Pharmaceuticals Materials (collectively "Johnson Matthey"), Shire has been engaged in a consolidated patent infringement litigation in the US District Court for the District of New Jersey against the aforementioned parties (except Watson, who withdrew their ANDA).

19. Commitments and contingencies (continued)

On June 23, 2014, the US District Court for the District of New Jersey granted Shire's summary judgment motion holding that 18 claims of the patents-in-suit were both infringed and valid. The ruling prevents all of the ANDA filers (Sandoz, Roxane, Amneal, Actavis and Mylan) from launching generic versions of VYVANSE until the earlier of either a successful appeal to the US Court of Appeals for the Federal Circuit, or the expiration of these patents in 2023. To appeal successfully, the ANDA-defendants must overturn the court's rulings for each of these 18 patent claims. All of the defendants have appealed the court's summary judgment ruling to the Court of Appeals of the Federal Circuit. No dates have been set for oral argument.

LIALDA

In May 2010, Shire was notified that Zydus Pharmaceuticals USA, Inc. ("Zydus") had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the District of Delaware against Zydus and Cadila Healthcare Limited, doing business as Zydus Cadila. A Markman hearing took place on January 29, 2015. The previously scheduled trial date has been vacated; at present, there is no trial date.

In February 2012, Shire was notified that Osmotica Pharmaceutical Corporation ("Osmotica") had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the Northern District of Georgia against Osmotica. A Markman hearing took place on August 22, 2013 and a Markman ruling was issued on September 25, 2014. No trial date has been set.

In March 2012, Shire was notified that Watson Laboratories Inc.-Florida had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the Southern District of Florida against Watson Laboratories Inc.-Florida and Watson Pharmaceuticals, Inc. Watson Pharma, Inc. and Watson Laboratories, Inc. were subsequently added as defendants. A trial took place in April, 2013 and on May 9, 2013 the trial court issued a decision finding that the proposed generic product infringes the patent-in-suit and that the patent is not invalid. Watson appealed the trial court's ruling to the Court of Appeals of the Federal Circuit ("CAFC") and a hearing took place on December 2, 2013. The ruling of the CAFC was issued on March 28, 2014 overruling the trial court on the interpretation of two claim terms and remanding the case for further proceedings. Shire petitioned the Supreme Court for a writ of certiori which was granted on January 26, 2015. The Supreme Court also vacated the CAFC decision and remanded the case to the CAFC for further consideration in light of the Supreme Court's recent decision in Teva v Sandoz. No dates have been set for the remanded case at the CAFC.

In April 2012, Shire was notified that Mylan Pharmaceuticals, Inc. had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court for the Middle District of Florida against Mylan. A Markman hearing took place on December 22, 2014. Atrial is scheduled during the court's trial term beginning on August 3, 2015.

Subpoena related to ADDERALL XR, DAYTRANA and VYVANSE and Louisiana Complaint related to ADDERALL, ADDERALL XR, DAYTRANA, VYVANSE and INTUNIV

On September 24, 2014, Shire announced that it had resolved all matters with the federal government, the 50 states and the District of Columbia relating to a previously disclosed civil investigation of its US sales and marketing practices relating to ADDERALL XR, VYVANSE, DAYTRANA, LIALDA and PENTASA. The investigation was led by the US Attorney's Office for the Eastern District of Pennsylvania. Under the agreement, Shire has paid $56.5 million, and interest, fees, and costs, to resolve all issues investigated by the government. This final settlement includes the resolution of two related qui tam complaints filed against the Company and a voluntary disclosure relating to LIALDA and PENTASA. In addition, Shire has paid $2.9 million to resolve a previously disclosed civil complaint filed by the State of Louisiana alleging that the Company's sales, marketing, and promotion of ADDERALL, ADDERALL XR, DAYTRANA, VYVANSE and INTUNIV violated state law. The Company recorded a $57.5 million provision related to these matters which was charged to SG&A in the fourth quarter of 2012. As part of the resolution, Shire has entered into a Corporate Integrity Agreement with the Office of Inspector General for the Department of Health and Human Services for a term of five years.

Investigation related to DERMAGRAFT

The Department of Justice, including the US Attorney's Office for the Middle District of Florida, Tampa Division and the US Attorney's Office for Washington, DC, is conducting civil and criminal investigations into the sales and marketing practices of Advanced BioHealing Inc. ("ABH") relating to DERMAGRAFT.

Following the disposal of the DERMAGRAFT business in January 2014, Shire has retained certain legacy liabilities including any liability that may arise from this investigation. Shire is cooperating fully with these investigations. Shire is not in a position at this time to predict the scope, duration or outcome of these investigations.

Civil Investigative Demand relating to VANCOCIN

On April 6, 2012, ViroPharma received a notification that the United States Federal Trade Commission ("FTC") is conducting an investigation into whether ViroPharma had engaged in unfair methods of competition with respect to VANCOCIN. On August 3, 2012, and September 8, 2014, ViroPharma and Shire respectively received Civil Investigative Demands from the FTC requesting additional information related to this matter. Shire intends to continue to cooperate fully with the FTC investigation. At this time, Shire is unable to predict the outcome or duration of this investigation.

19. Commitments and contingencies (continued)

Lawsuit related to supply of ELAPRASE to certain patients in Brazil

On September 24, 2014 Shire's Brazilian affiliate, Shire Farmaceutica Brasil Ltda, was served with a lawsuit brought by the State of Sao Paulo and in which the Brazilian Public Attorney's office has intervened alleging that Shire is obligated to provide certain medical care including ELAPRASE for an indefinite period at no cost to patients who participated in ELAPRASE clinical trials in Brazil, and seeking recoupment to the Brazilian government for amounts paid for these patients to date, and moral damages associated with these claims. Shire intends to defend itself against these allegations but is not able to predict the outcome or duration of this case.

20. Accumulated other comprehensive income/(loss)

The changes in accumulated other comprehensive income/(loss), net of their related tax effects, in the year to December 31, 2014 are included below:

	Foreign currency translation adjustment $'M	Unrealized holding gain on available-for-sale securities $'M	Accumulated other comprehensive income/(loss) $'M
As at January 1, 2014	110.4	(0.2)	110.2
Current period change:			
Other Comprehensive (loss)/income before reclassification	(136.1)	3.7	(132.4)
Gain transferred to the income statement (within Other income/(expense), net) on disposal of available-for-sale securities	–	(9.3)	(9.3)
Net current period other comprehensive loss	(136.1)	(5.6)	(141.7)
As at December 31, 2014	(25.7)	(5.8)	(31.5)

21. Financial instruments

Treasury policies and organization

The Company's principal treasury operations are coordinated by its corporate treasury function. All treasury operations are conducted within a framework of policies and procedures approved annually by the Board. As a matter of policy, the Company does not undertake speculative transactions that would increase its currency or interest rate exposure.

Interest rate risk

The Company is exposed to interest rate risk on its $2,100 million RCF, its $850 million 2013 Facilities Agreement and its $850 million 2015 Facilities Agreement, on which interest is at floating rates, to the extent any of these facilities are utilized. At December 31, 2014 the RCF was undrawn, and the Company had fully utilized the $850 million of 2013 Facilities Agreement. Shire's exposure under its $850 million 2013 Facilities Agreement is to US Dollar interest rates.

The Company has evaluated the interest rate risk on the RCF and on the 2013 and 2015 Facilities Agreements and considers the risks associated with floating interest rates on the instruments as appropriate. A hypothetical one percentage point increase or decrease in the interest rates applicable to drawings under the 2013 Facilities Agreement at December 31, 2014 would increase or decrease interest expense by approximately $8.5 million per annum.

The Company is also exposed to interest rate risk on its restricted cash, cash and cash equivalents and on foreign exchange contracts on which interest is at floating rates. This exposure is primarily to US Dollar, Pounds Sterling, Euro and Canadian Dollar interest rates. As the Company maintains all of its cash, liquid investments and foreign exchange contracts on a short term basis for liquidity purposes, this risk is not actively managed. In the year to December 31, 2014 the average interest rate received on cash and liquid investments was less than 1% per annum. The largest proportion of these cash and liquid investments was in US Dollar money market and liquidity funds.

No derivative instruments were entered into during the year to December 31, 2014 to manage interest rate exposure. The Company continues to review its interest rate risk and the policies in place to manage the risk.

Credit risk

Financial instruments that potentially expose Shire to concentrations of credit risk consist primarily of short-term cash investments, derivative contracts and trade accounts receivable (from product sales and from third parties from which the Company receives royalties). Cash is invested in short-term money market instruments, including money market and liquidity funds and bank term deposits. The money market and liquidity funds in which Shire invests are all triple A rated by both Standard & Poor's and by Moody's credit rating agencies.

The Company is exposed to the credit risk of the counterparties with which it enters into derivative instruments. The Company limits this exposure through a system of internal credit limits which vary according to ratings assigned to the counterparties by the major rating agencies. The internal credit limits are approved by the Board and exposure against these limits is monitored by the corporate treasury function. The counterparties to these derivatives contracts are major international financial institutions.

21. Financial instruments (continued)

The Company's revenues from product sales in the US are mainly governed by agreements with major pharmaceutical wholesalers and relationships with other pharmaceutical distributors and retail pharmacy chains. For the year to December 31, 2014 there were three customers in the US that accounted for 47% of the Company's product sales. However, such customers typically have significant cash resources and as such the risk from concentration of credit is considered acceptable. The Company has taken positive steps to manage any credit risk associated with these transactions and operates clearly defined credit evaluation procedures. However, an inability of one or more of these wholesalers to honor their debts to the Company could have an adverse effect on the Company's financial condition and results of operations.

A substantial portion of the Company's accounts receivable in countries outside of the United States is derived from product sales to government-owned or government-supported healthcare providers. The Company's recovery of these accounts receivable is therefore dependent upon the financial stability and creditworthiness of the relevant governments. In recent years global and national economic conditions have negatively affected the growth, creditworthiness and general economic condition of certain markets in which the Company operates. As a result, in some countries outside of US, being Argentina, Greece, Italy, Portugal and Spain (collectively the "Relevant Countries") the Company is experiencing delays in the remittance of receivables due from government-owned or government-supported healthcare providers. The Company continued to receive remittances in relation to government-owned or government-supported healthcare providers in all the Relevant Countries in the year December 31, 2014, including receipts of $98 million and $143 million in respect of Spanish and Italian receivables, respectively.

To date the Company has not incurred significant losses on accounts receivable in the Relevant Countries, and continues to consider that such accounts receivable are recoverable. The Company will continue to evaluate all its accounts receivable for potential collection risks and has made provision for amounts where collection is considered to be doubtful. If the financial condition of the Relevant Countries or other Eurozone countries suffer significant deterioration, such that their ability to make payments becomes uncertain, or if one or more Eurozone member countries withdraws from the Euro, additional allowances for doubtful accounts may be required, and losses may be incurred, in future periods. Any such loss could have an adverse effect on the Company's financial condition and results of operations.

Foreign exchange risk

The Company trades in numerous countries and as a consequence has transactional and translational foreign exchange exposures.

Transactional exposure arises where transactions occur in currencies different to the functional currency of the relevant subsidiary. The main trading currencies of the Company are the US Dollar, Pounds Sterling, Swiss Franc and the Euro. It is the Company's policy that these exposures are minimized to the extent practicable by denominating transactions in the subsidiary's functional currency.

Where significant exposures remain, the Company uses foreign exchange contracts (being spot, forward and swap contracts) to manage the exposure for balance sheet assets and liabilities that are denominated in currencies different to the functional currency of the relevant subsidiary. These assets and liabilities relate predominantly to intercompany financing. The foreign exchange contracts have not been designated as hedging instruments. Cash flows from derivative instruments are presented within net cash provided by operating activities in the consolidated cash flow statement, unless the derivative instruments are economically hedging specific investing or financing activities.

Translational foreign exchange exposure arises on the translation into US Dollars of the financial statements of non-US Dollar functional subsidiaries.

At December 31, 2014 the Company had 56 swap and forward foreign exchange contracts outstanding to manage currency risk. The swap and forward contracts mature within 90 days. The Company did not have credit risk related contingent features or collateral linked to the derivatives. The Company has master netting agreements with a number of counterparties to these foreign exchange contracts and on the occurrence of specified events, the Company has the ability to terminate contracts and settle them with a net payment by one party to the other. The Company has elected to present derivative assets and derivative liabilities on a gross basis in the consolidated balance sheet. As at December 31, 2014 the potential effect of rights of set off associated with the foreign exchange contracts would be an offset to both assets and liabilities of $4.2 million, resulting in net derivative assets and derivative liabilities of $8.4 million and $3.6 million, respectively. Further details are included below:

		Fair value December 31, 2014 $'M	Fair value December 31, 2013 $'M
Assets	Prepaid expenses and other current assets	**12.6**	4.0
Liabilities	Other current liabilities	**7.8**	2.8

21. Financial instruments (continued)

Net gains/(losses) (both realized and unrealized) arising on foreign exchange contracts have been classified in the consolidated statements of income as follows:

	Location of net gains/(losses) recognized in income	Amount of net gains/(losses) recognized in income		
In the year to		**December 31, 2014 $'M**	December 31, 2013 $'M	December 31, 2012 $'M
Foreign exchange contracts	Other income, net	**8.0**	(1.8)	6.2

These net foreign exchange gains/(losses) are offset within Other income, net by net foreign exchange (losses)/gains arising on the balance sheet items that these contracts were put in place to manage.

22. Fair value measurement

Assets and liabilities that are measured at fair value on a recurring basis

As at December 31, 2014 and December 31, 2013 the following financial assets and liabilities are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	Carrying value	Fair value			
At December 31, 2014	**$'M**	**Total $'M**	**Level 1 $'M**	**Level 2 $'M**	**Level 3 $'M**
Financial assets:					
Available-for-sale securities[1]	**13.1**	**13.1**	**13.1**	**–**	**–**
Contingent consideration receivable[2]	**15.9**	**15.9**	**–**	**–**	**15.9**
Foreign exchange contracts	**12.6**	**12.6**	**–**	**12.6**	**–**
Financial liabilities:					
Foreign exchange contracts	**7.8**	**7.8**	**–**	**7.8**	**–**
Contingent consideration payable[3]	**629.9**	**629.9**	**–**	**–**	**629.9**

At December 31, 2013	$'M	Total $'M	Level 1 $'M	Level 2 $'M	Level 3 $'M
Financial assets:					
Available-for-sale securities[1]	6.7	6.7	6.7	–	–
Contingent consideration receivable[2]	36.1	36.1	–	–	36.1
Foreign exchange contracts	4.0	4.0	–	4.0	–
Financial liabilities:					
Foreign exchange contracts	2.8	2.8	–	2.8	–
Contingent consideration payable[3]	405.9	405.9	–	–	405.9

[1] Available-for-sale securities are included within Investments in the consolidated balance sheet.
[2] Contingent consideration receivable is included within Prepaid expenses and other current assets and Other non-current assets in the consolidated balance sheet.
[3] Contingent consideration payable is included within Other current liabilities and Other non-current liabilities in the consolidated balance sheet.

Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

- Available-for-sale securities – the fair values of available-for-sale securities are estimated based on quoted market prices for those investments.
- Contingent consideration receivable – the fair value of the contingent consideration receivable has been estimated using the income approach (using a probability weighted discounted cash flow method).
- Foreign exchange contracts – the fair values of the swap and forward foreign exchange contracts have been determined using an income approach based on current market expectations about the future cash flows.
- Contingent consideration payable – the fair value of the contingent consideration payable has been estimated using the income approach (using a probability weighted discounted cash flow method).

22. Fair value measurement (continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The change in the fair value of the Company's contingent consideration receivable and payables, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3), are as follows:

Contingent consideration receivable	2014 $'M	2013 $'M
Balance at January 1,	**36.1**	38.3
Initial recognition of contingent consideration receivable	**33.6**	–
Loss recognized in the income statement (within discontinued operations) due to change in fair value during the period	**(33.6)**	–
(Loss)/gain recognized in the income statement (within Gain on sale of product rights) due to change in fair value during the period	**(2.9)**	15.9
Reclassification of amounts to Other receivables within Other current assets	**(20.2)**	(19.5)
Amounts recorded to other comprehensive income (within foreign currency translation adjustments)	**2.9**	1.4
Balance at December 31,	**15.9**	36.1

Contingent consideration payable	2014 $'M	2013 $'M
Balance at January 1,	**405.9**	136.4
Initial recognition of contingent consideration payable	**226.7**	451.4
Change in fair value during the period with the corresponding adjustment recognized as a loss in the income statement (within Integration and acquisition costs)	**14.7**	(159.1)
Reclassification of amounts to Other current liabilities	**(15.1)**	(13.9)
Change in fair value during the period with corresponding adjustment to the associated intangible asset	**2.7**	(8.9)
Amounts recorded to other comprehensive income (within foreign currency translation adjustments)	**(5.0)**	–
Balance at December 31,	**629.9**	405.9

Of the $629.9 million of contingent consideration payable as at December 31, 2014 $194.5 million is recorded within other current liabilities and $435.4 million is recorded within other non-current liabilities in the Company's balance sheet.

Quantitative Information about Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Quantitative information about the Company's recurring Level 3 fair value measurements is included below:

Financial assets:	Fair Value at the Measurement Date			
At December 31, 2014	Fair value $'M	Valuation technique	Significant unobservable inputs	Range
Contingent consideration receivable ("CCR")	15.9	Income approach (probability weighted discounted cash flow)	Probability weightings applied to different sales scenarios	10 to 70%
			Future forecast consideration receivable based on contractual terms with purchaser	$27 million to $70 million
			Assumed market participant discount rate	9.3% to 11.5%

Financial liabilities:	Fair Value at the Measurement Date			
At December 31, 2014	Fair value $'M	Valuation technique	Significant unobservable inputs	Range
Contingent consideration payable	629.9	Income approach (probability weighted discounted cash flow)	Cumulative probability of milestones being achieved	4 to 95%
			Assumed market participant discount rate	1.2 to 11.8%
			Periods in which milestones are expected to be achieved	2015 to 2030
			Forecast quarterly royalties payable on net sales of relevant products	$0.2 to $7.6 million

22. Fair value measurement (continued)

The Company re-measures the CCR (relating to contingent consideration due to the Company following divestment of certain of the Company's products) at fair value at each balance sheet date, with the fair value measurement based on forecast cash flows, over a number of scenarios which vary depending on the expected performance outcome of the products following divestment. The forecast cash flows under each of these differing outcomes have been included in probability weighted estimates used by the Company in determining the fair value of the CCR.

Contingent consideration payable represents future milestones the Company may be required to pay in conjunction with various business combinations and future royalties payable as a result of certain business combinations and licenses. The amount ultimately payable by Shire in relation to business combinations is dependent upon the achievement of specified future milestones, such as the achievement of certain future development, regulatory and sales milestones. The Company assesses the probability, and estimated timing, of these milestones being achieved and re-measures the related contingent consideration to fair value each balance sheet date. The amount of contingent consideration which may ultimately be payable by Shire in relation to future royalties is dependent upon future net sales of the relevant products over the life of the royalty term. The Company assesses the present value of forecast future net sales of the relevant products and re-measures the related contingent consideration to fair value each balance sheet date.

The fair value of the Company's contingent consideration receivable and payable could significantly increase or decrease due to changes in certain assumptions which underpin the fair value measurements. Each set of assumptions and milestones is specific to the individual contingent consideration receivable or payable. The assumptions include, among other things, the probability and expected timing of certain milestones being achieved, the forecast future net sales of the relevant products and related future royalties payable, the probability weightings applied to different sales scenarios of the Company's divested products and forecast future royalties receivable under scenarios developed by the Company, and the discount rates used to determine the present value of contingent future cash flows. The Company regularly reviews these assumptions, and makes adjustments to the fair value measurements as required by facts and circumstances.

Assets Measured At Fair Value on a Non-Recurring Basis in the period using Significant Unobservable Inputs (Level 3)

In the year to December 31, 2014 the Company reviewed its SHP602 IPR&D intangible asset for impairment and recognized an impairment charge of $166 million, recorded within R&D in the consolidated income statement, to write down this asset to fair value. The fair value was determined using the income approach, which used significant unobservable (Level 3) inputs. These unobservable inputs included, among other things, probabilities of the IPR&D intangible asset receiving regulatory approval, risk-adjusted forecast future cash flows to be generated by this asset and the determination of an appropriate discount rate to be applied in calculating the present value of forecast future cash flows.

	Fair Value at the Measurement Date			
At December 31, 2014	**Fair value $'M**	**Valuation technique**	**Significant unobservable inputs**	**Range**
SHP602 IPR&D intangible asset	$nil	Income approach (discounted cash flow)	Probability of regulatory approval being obtained	11 to 15%
			Expected commercial launch date	2021
			Assumed market participant discount rate	11.3%

In the year to December 31, 2014 the Company also recognized an impairment charge of $22 million, recorded within R&D in the consolidated income statement, to write down the SHP613 IPR&D intangible asset to a revised fair value of $nil following the decision to discontinue development of this program based on portfolio prioritization as well as unexpected challenges and complexities with the development program.

The carrying amounts of other financial assets and liabilities materially approximate to their fair value because of the short-term maturity of these amounts.

23. Shareholders' equity

Authorized common stock
The authorized stock of Shire plc as at December 31, 2014, was 1,000,000,000 Ordinary Shares and 2 subscriber Ordinary Shares.

Dividends
Under Jersey law, Shire plc is entitled to make payments of dividends from its accumulated profits and other distributable reserves. At December 31, 2014, Shire plc's distributable reserves were approximately $12.1 billion.

Treasury stock
The Company records the purchase of its own shares by the EBT and under share buy-back program as a reduction of shareholders' equity based on the price paid for the shares. At December 31, 2014, the EBT held 0.7 million Ordinary Shares (2013: 2.4 million; 2012: 3.8 million) and 0.3 million ADSs (2013: 0.4 million; 2012: 1.1 million) and shares held under the share buy-back program were 9.0 million Ordinary Shares (2013: 9.8 million; 2012: 3.6 million) and 0.9 million ADSs (2013: 0.9 million; 2012: 0.3 million). During the year to December 31, 2014 the Company did not purchase any shares either through the EBT or under any share buy-back program. In the year to December 31, 2013 a total of 4.2 million Ordinary Shares (2012: 4.5 million) and 0.8 million ADSs (2012: 0.9 million) had been purchased for total consideration of $243.8 million (2012: $205.8 million), including stamp duty and broker commission.

Share buy-back Program
In 2012 the Company commenced a share buy-back program of up to $500 million through both direct purchases of Ordinary Shares and through the purchase of Ordinary Shares underlying ADRs. The purchases have been made through independent third parties who have made trading decisions independently of, and uninfluenced by, the Company. The independence of the third parties enabled the Company to purchase Ordinary Shares (including Ordinary Shares underlying ADRs) during close periods and other prohibited periods, should they arise. The amount, timing or prices of purchases, varied based on market conditions and other factors. The shares purchased to date are held as treasury shares.

During the year ending December 31, 2013, the Company made on-market repurchases totaling 6,191,965 Ordinary Shares at a cost of $193 million (excluding transaction costs). This represents 1.0% of the issued share capital of the Company as at the end of the quarter. Ordinary Shares purchased may be cancelled or be held as treasury shares, in accordance with the authority renewed by shareholders at the Company's Annual General Meeting ("AGM"). At its AGM on April 24, 2012 the Company was authorized to make market purchases of up to 56,253,208 of its own Ordinary Shares. That authority expired at the AGM held on April 30, 2013 and was renewed. Under the new authority, which expires on the earlier of July 29, 2014 or the conclusion of the 2014 AGM, the Company was authorized to make market purchases of up to 55,741,587 of its own Ordinary Shares.

On November 11, 2013, contemporaneous with Shire's announcement of its acquisition of ViroPharma, the Company's share buyback program was terminated. Since the inception of the share buyback program the Company had purchased $300 million of Ordinary Shares and Ordinary Shares underlying ADRs.

Conversion of Shire's 2.75% Convertible Bonds
On November 26, 2013, Shire issued an optional redemption notice under the Trust Deed dated May 9, 2007 to holders of the Company's Bonds. Consequently, as of December 31, 2013, Bondholders had voluntarily converted the Bonds into 33,806,464 fully paid Ordinary Shares.

Income Access Share Arrangements ("IAS Trust")
Shire has put into place income access arrangements which enable ordinary shareholders, other than ADS holders, to choose whether they receive their dividends from Shire, a company tax resident in the Republic of Ireland, or from Shire Biopharmaceutical Holdings ("Old Shire"), a Shire group company tax resident in the UK.

Old Shire has issued one income access share to the Income Access Trust (the "IAS Trust") which is held by the trustee of the IAS Trust (the "Trustee"). The mechanics of the arrangements are as follows:

i) If a dividend is announced or declared by Shire plc on its Ordinary Shares, an amount is paid by Old Shire by way of a dividend on the income access share to the Trustee, and such amount is paid by the Trustee to ordinary shareholders who have elected (or are deemed to have elected) to receive dividends under these arrangements. The dividend which would otherwise be payable by Shire plc to its ordinary shareholders will be reduced by an amount equal to the amount paid to its ordinary shareholders by the Trustee.

ii) If the dividend paid on the income access share and on-paid by the Trustee to ordinary shareholders is less than the total amount of the dividend announced or declared by Shire plc on its Ordinary Shares, Shire plc will be obliged to pay a dividend on the relevant Ordinary Shares equivalent to the amount of the shortfall. In such a case, any dividend paid on the Ordinary Shares will generally be subject to Irish withholding tax at the rate of 20% or such lower rate as may be applicable under exemptions from withholding tax contained in Irish law.

23. Shareholders' equity (continued)

iii) An ordinary shareholder is entitled to make an income access share election such that she/he will receive his/her dividends (which would otherwise be payable by Shire plc) under these arrangements from Old Shire.

iv) An ordinary shareholder who holds 25,000 or fewer Ordinary Shares at the first record date after she/he first becomes an ordinary shareholder, and who does not make a contrary election, will be deemed to have made an election (pursuant to the Shire plc articles of association) such that she/he will receive his/her dividends under these arrangements from Old Shire.

The ADS Depositary has made an election on behalf of all holders of ADSs such that they will receive dividends from Old Shire under the income access share arrangements. Dividends paid by Old Shire under the income access share arrangements will not, under current legislation, be subject to any UK or Irish withholding taxes. If a holder of ADSs does not wish to receive dividends from Old Shire under the income access share arrangements, she/he must withdraw his/her Ordinary Shares from the ADS program prior to the dividend record date set by the Depositary and request delivery of the Shire plc Ordinary Shares. This will enable him/her to receive dividends from Shire plc (if necessary, by making an election to that effect).

It is the expectation, although there can be no certainty, that Old Shire will distribute dividends on the income access share to the Trustee for the benefit of all ordinary shareholders who make (or are deemed to make) an income access share election in an amount equal to what would have been such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election. If any dividend paid on the income access share and or paid to the ordinary shareholders is less than such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election, the dividend on the income access share will be allocated pro rata among the ordinary shareholders and Shire plc will pay the balance to these ordinary shareholders by way of dividend. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

Shire will be able to suspend or terminate these arrangements at any time, in which case the full Shire plc dividend will be paid directly by Shire plc to those ordinary shareholders (including the Depositary) who have made (or are deemed to have made) an income access share election. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

In the year ended December 31, 2014 Old Shire paid dividends totaling $112.8 million (2013: $91.1 million; 2012: $81.5 million) on the income access share to the Trustee in an amount equal to the dividend Shire ordinary shareholders would have received from Shire.

24. Earnings per share

The following table reconciles net income and the weighted average Ordinary Shares outstanding for basic and diluted earnings per share for the periods presented:

	2014 $'M	2013 $'M	2012 $'M
Income from continuing operations, net of taxes	**3,282.8**	1,419.6	805.7
Gain/(loss) from discontinued operations[1]	**122.7**	(754.5)	(60.3)
Numerator for basic earnings per share	**3,405.5**	665.1	745.4
Interest on convertible bonds, net of tax	**–**	28.3	31.3
Numerator for diluted earnings per share	**3,405.5**	693.4	776.7
Weighted average number of shares:	**Millions**	Millions	Millions
Basic[1]	**586.7**	552.0	555.4
Effect of dilutive shares:			
Share based awards to employees[2]	**4.6**	4.8	4.6
Convertible bonds 2.75% due 2014[3]	**–**	33.5	33.5
Diluted	**591.3**	590.3	593.5

[1] Excludes shares purchased by the EBT and presented by Shire as treasury stock.
[2] Calculated using the treasury stock method.
[3] At December 31, 2013, Bondholders had voluntarily converted $1,099,050,000 aggregate principal amount of the Bonds into 33,806,464 fully paid Ordinary Shares. The remaining outstanding Bonds in an aggregate principle amount of $950,000 were redeemed pursuant to the option redemption notice issued on November 26, 2013. The Company has calculated the impact of the Bonds on diluted EPS from January 1, 2013 to the actual date of conversion of the Bonds using the 'if-converted' method.

24. Earnings per share (continued)

The following table reconciles net income and the weighted average Ordinary Shares outstanding for basic and diluted earnings per share for the periods presented:

Year to December 31,	2014	2013	2012
Earnings per ordinary share – basic			
Earnings from continuing operations	**559.6c**	257.2c	145.1c
Gain/(loss) from discontinued operations	**20.9c**	(136.7c)	(10.9c)
Earnings per ordinary share – basic	**580.5c**	120.5c	134.2c
Earnings per ordinary share – diluted	**–**	–	–
Earnings from continuing operations	**555.2c**	245.3c	141.0c
Gain/(loss) from discontinued operations	**20.8c**	(127.8c)	(10.1c)
Earnings per ordinary share – diluted	**576.0c**	117.5c	130.9c

The share equivalents not included in the calculation of the diluted weighted average number of shares are shown below:

	2014 No. of shares Millions	2013 No. of shares Millions	2012 No. of shares Millions
Share based awards to employees[1]	**0.3**	0.5	6.7

[1] Certain stock options have been excluded from the calculation of diluted EPS because (a) their exercise prices exceeded Shire plc's average share price during the calculation period or (b) the required performance conditions were not satisfied as at the balance sheet date.

25. Segmental reporting

Shire comprises a single operating and reportable segment engaged in the research, development, licensing, manufacturing, marketing, distribution and sale of innovative specialist medicines to meet significant unmet patient needs.

This segment is supported by several key functions: a Pipeline group, consisting of R&D and Corporate Development, which prioritizes its activities towards late stage development programs across a variety of therapeutic areas, while focusing its pre-clinical development activities primarily in Rare Diseases; a Technical Operations group responsible for the Company's global supply chain; and an In-line marketed products group focuses on commercialized products. The In-Line marketed products group has commercial units that focus exclusively on the commercial execution of its marketed products including in the areas of Rare Diseases, Neuroscience, and GI and Internal Medicine, and to support the development of our pipeline candidates, in Ophthalmics. This ensures that the Company provides innovative treatments, and services the needs of its customers and patients, as efficiently as possible. The business is also supported by a simplified, centralized corporate function group. None of these functional groups meets all of the criteria to be an operating segment.

This single operating and reportable segment is consistent with the financial information regularly reviewed by the Executive Committee (which is Shire's chief operating decision maker) for the purposes of evaluating performance, allocating resources, and planning and forecasting future periods.

Geographic information

Revenues (based on the geographic location from which the sale originated):

Year to December 31,	2014 $'M	2013 $'M	2012 $'M
Ireland	**18.5**	22.5	20.6
United Kingdom	**201.4**	206.7	207.0
North America	**4,354.8**	3,386.2	3,006.1
Rest of World	**1,447.4**	1,318.9	1,293.7
Total revenues	**6,022.1**	4,934.3	4,527.4

Long-lived assets comprise all non-current assets, (excluding goodwill and other intangible assets, deferred contingent consideration assets, deferred tax assets, investments and financial instruments) based on the geographic location within which the economic benefits arise:

Year to December 31,	2014 $'M	2013 $'M
Ireland	**3.1**	5.8
United Kingdom	**67.4**	70.3
North America	**750.4**	802.9
Rest of World	**23.3**	13.8
Total	**844.2**	892.8

25. Segmental reporting (continued)

Material customers

In the periods set out below, certain customers accounted for greater than 10% of the Company's product revenues:

Year to December 31,	2014 $'M	2014 % product revenue	2013 $'M	2013 % product revenue	2012 $'M	2012 % product revenue
McKesson Corp.	**1,021.0**	**18**	902.9	19	835.9	20
Cardinal Health Inc.	**979.9**	**17**	853.7	18	1,035.7	24
AmerisourceBergen Corp	**759.2**	**13**	721.0	15	307.4	7

Amounts outstanding as at December 31, in respect of these material customers were as follows:

December 31,	2014 $'M	2013 $'M
McKesson Corp.	**179.4**	161.3
Cardinal Health Inc.	**164.5**	149.5
AmerisourceBergen Corp	**134.9**	164.6

In the periods set out below, revenues by major product were as follows:

	2014 $'M	2013 $'M	2012 $'M
VYVANSE	**1,449.0**	1,227.8	1,029.8
LIALDA/MEZAVANT	**633.8**	528.9	399.9
ELAPRASE	**592.8**	545.6	497.6
CINRYZE	**503.0**	–	–
REPLAGAL	**500.4**	467.9	497.5
ADDERALL XR	**383.2**	375.4	429.0
VPRIV	**366.7**	342.7	306.6
FIRAZYR	**364.2**	234.8	116.3
INTUNIV	**327.2**	334.9	287.8
PENTASA	**289.7**	280.6	265.8
FOSRENOL	**183.0**	183.4	172.0
XAGRID	**108.5**	99.4	97.2
Other product sales	**128.9**	136.1	153.4
Total product sales	**5,830.4**	4,757.5	4,252.9

26. Receipt of break fee

On July 18, 2014, the Boards of AbbVie and Shire announced that they had agreed the terms of a recommended combination of Shire with AbbVie, subject to a number of conditions including approval by shareholders and regulators. On the same date Shire and AbbVie entered into a co-operation agreement in connection with the recommended combination. On October 16, 2014, the Board of AbbVie confirmed that it had withdrawn its recommendation of its offer for Shire as a result of the anticipated impact of a US Treasury Notice on the benefits that AbbVie expected from its offer. As AbbVie's offer was conditional on the approval of its stockholders, and given their Board's decision to change its recommendation and to advise AbbVie's stockholders to vote against the offer, there was no realistic prospect of satisfying this condition. Accordingly, Shire's Board agreed with AbbVie to terminate the cooperation agreement on October 20, 2014. The Company entered into a termination agreement with AbbVie, pursuant to which AbbVie paid the break fee due under the cooperation agreement of approximately $1,635.4 million. The Company has obtained advice that the break fee should not be taxable in Ireland. The Company has therefore concluded that no tax liability should arise and has not recognized a tax charge in the income statement in the current accounting period. However, this has not been agreed with the tax authorities.

27. Retirement benefits

The Company makes contributions to defined contribution retirement plans that together cover substantially all employees. The level of the Company's contribution is fixed at a set percentage of each employee's pay.

Company contributions to personal defined contribution pension plans totaled $49.8 million, $45.7 million and $46.4 million for the years to December 31, 2014, 2013 and 2012, respectively, and were charged to operations as they became payable.

28. Taxation

The components of pre-tax income from continuing operations are as follows:

Year to December 31,	2014 $'M	2013 $'M	2012 $'M
Republic of Ireland	**1,472.0**	(47.8)	(74.7)
UK	**63.1**	10.9	30.7
US	**1,025.9**	1,153.3	683.8
Other jurisdictions	**775.2**	577.2	368.0
	3,336.2	1,693.6	1,007.8

The provision for income taxes by location of the taxing jurisdiction for the years to December 31, 2014, 2013 and 2012 consisted of the following:

Year to December 31,	2014 $'M	2013 $'M	2012 $'M
Current income taxes:			
US federal tax	**291.8**	274.3	230.0
US state and local taxes	**25.3**	17.9	11.3
Other	**(290.9)**	63.4	29.0
Total current taxes	**26.2**	355.6	270.3
Deferred taxes:			
US federal tax	**39.7**	23.8	(63.8)
US state and local taxes	**(2.9)**	(8.3)	(6.5)
UK corporation tax	**(3.0)**	11.5	13.1
Other	**(3.9)**	(104.7)	(10.0)
Total deferred taxes	**29.9**	(77.7)	(67.2)
Total income taxes	**56.1**	277.9	203.1

The operating results associated with the DERMAGRAFT business have been classified as discontinued operations for all periods presented.

The Group has determined the amount of income tax expense or benefit allocable to continuing operations using the incremental approach in accordance with ASC 740-20-45-8. The amount of Income tax attributed to discontinued operations is disclosed in Note 10.

28. Taxation (continued)

The reconciliation of income from continuing operations before income taxes and equity in earnings/(losses) of equity method investees at the statutory tax rate to the provision for income taxes is shown in the table below:

Year to December 31,	2014 $'M	2013 $'M	2012 $'M
Income from continuing operations before income taxes and equity in earnings of equity method investees	**3,336.2**	1,693.6	1,007.8
Statutory tax rate[1]	**25.0%**	25.0%	25.0%
Non-deductible items:			
US R&D credit	**(2.5%)**	(4.5%)	(2.6%)
Effect of the convertible bond	**–**	0.5%	0.8%
Intra-group items[2]	**(6.3%)**	(9.2%)	(16.0%)
Recognition of foreign tax credits	**–**	–	(6.6%)
Other permanent items	**0.7%**	(0.7%)	0.8%
Other items:			
Change in valuation allowance	**0.8%**	0.9%	3.4%
Impact of RESOLOR impairment	**–**	–	4.9%
Difference in taxation rates	**3.4%**	7.8%	7.6%
Change in provisions for uncertain tax positions	**0.2%**	3.8%	1.1%
Prior year adjustment	**0.1%**	(3.4%)	0.8%
Change in fair value of contingent consideration	**0.3%**	(3.6%)	–
Change in tax rates	**0.5%**	(0.2%)	0.8%
Receipt of break fee	**(12.3%)**	–	–
Settlement with Canadian revenue authorities	**(7.0%)**	–	–
Other	**(1.2%)**	–	0.1%
Provision for income taxes on continuing operations	**1.7%**	16.4%	20.1%

[1] In addition to being subject to the Irish Corporation tax rate of 25%, in 2014 the Company is also subject to income tax in other territories in which the Company operates, including: Canada (15%); France (33.3%); Germany (15%); Italy (27.5%); Luxembourg (21.0%); the Netherlands (25%); Belgium (33.99%); Spain (30%); Sweden (22%); Switzerland (8.5%); United Kingdom (21.5%) and the US (35%). The rates quoted represent the statutory federal income tax rates in each territory, and do not include any state taxes or equivalents or surtaxes or other taxes charged in individual territories, and do not purport to represent the effective tax rate for the Company in each territory.

[2] Intra-group items principally relate to the effect of inter-company dividends, capital receipts (either taxable or non-taxable) and other intra-territory eliminations, the pre-tax effect of which has been eliminated in arriving at the Company's consolidated income from continuing operations before income taxes, non-controlling interests and equity in earnings/(losses) of equity method investees.

Provisions for uncertain tax positions

The Company files income tax returns in the Republic of Ireland, the US (both federal and state) and various other jurisdictions (see footnote (1) to the table above for major jurisdictions). With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 2008. Tax authorities in various jurisdictions are in the process of auditing the Company's tax returns for fiscal periods from 2008; these tax audits cover a range of issues, including transfer pricing and potential restrictions on the utilization of net operating losses.

While tax audits remain open, the Company also considers it reasonably possible that issues may be raised by tax authorities resulting in increases to the balance of unrecognized tax benefits, however, an estimate of such an increase cannot be made.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2014 $'M	2013 $'M	2012 $'M
Balance at January 1	**355.2**	278.7	265.5
Increases based on tax positions related to the current year	**20.3**	56.8	20.5
Decreases based on tax positions taken in the current year	**–**	(0.5)	–
Increases for tax positions taken in prior years	**64.2**	34.5	0.4
Decreases for tax positions taken in prior years	**(211.0)**	(0.8)	(3.3)
Decreases resulting from settlements with the taxing authorities	**(9.4)**	–	(10.6)
Decreases as a result of expiration of the statute of limitations	**(0.6)**	(0.6)	(0.3)
Foreign currency translation adjustments[1]	**(10.9)**	(12.9)	6.5
Balance at December 31[2]	**207.8**	355.2	278.7

[1] Recognized within Other Comprehensive Income

[2] Approximately $181 million (2013: $355 million, 2012: $278 million) of which would affect the effective tax rate if recognized

28. Taxation (continued)

Decreases for tax positions taken in prior years are primarily driven by the settlement with the Canadian revenue authorities. During the year, the Company received assessments from the Canadian revenue authorities which agreed with original positions adopted by the Company in its Canadian tax returns for the period 1999-2004.The Company received repayments from the Canadian revenue authorities totaling $417 million. Following receipt of the assessments the Company recorded a net credit to income taxes of $235 million which includes the release of provisions for uncertain tax positions including interest and penalties of $289.4 million partially offset by associated foreign tax credits.

The Company considers it reasonably possible that certain audits currently being conducted will be concluded in the next 12 months, and as a result the total amount of unrecognized tax benefits recorded at December 31, 2014 could decrease by up to approximately $25 million. As at the balance sheet date, the Company believes that its reserves for uncertain tax positions are adequate to cover the resolution of these audits. However, the resolution of these audits could have a significant impact on the financial statements if the settlement differs from the amount reserved.

The Company recognizes interest and penalties accrued related to unrecognized tax positions within income taxes. During the year ended December 31, 2014 the Company recognized a net credit to income taxes of $103.1 million and in the years ended December 31, 2013 and 2012 a charge of $0.4 million and $5.1 million, respectively with respect to interest and penalties and the Company had a liability of $25.8 million, $112.2 million and $119.6 million for the payment of interest and penalties accrued at December 31, 2014, 2013 and 2012, respectively.

Deferred taxes

The significant components of deferred tax assets and liabilities and their balance sheet classifications, as at December 31, are as follows:

	December 31, 2014 $'M	December 31, 2013 $'M
Deferred tax assets:		
Deferred revenue	**3.2**	5.2
Inventory and warranty provisions	**28.8**	48.6
Losses carried forward (including tax credits)[1]	**686.3**	500.6
Provisions for sales deductions and doubtful accounts	**166.7**	151.8
Intangible assets	**5.8**	10.7
Share-based compensation	**29.5**	25.5
Excess of tax value over book value of assets	**13.4**	22.1
Accruals and provisions	**51.5**	55.1
Other	**14.0**	2.6
Gross deferred tax assets	**999.2**	822.2
Less: valuation allowance	**(324.7)**	(282.4)
	674.5	539.8
Deferred tax liabilities:		
Intangible assets	**(1,196.5)**	(586.8)
Excess of book value over tax value of assets and investments	**(231.8)**	(56.9)
Net deferred tax liabilities	**(753.8)**	(103.9)
Balance sheet classifications:		
Deferred tax assets – current	**344.7**	315.6
Deferred tax assets – non-current	**112.1**	141.1
Deferred tax liabilities – non-current	**(1,210.6)**	(560.6)
	(753.8)	(103.9)

[1] Excluding $24.6 million of deferred tax assets at December 31, 2014 (2013: $15.0 million), related to net operating losses that result from excess stock-based compensation and for which any benefit realized will be recorded to stockholders' equity.

At December 31, 2014, the Company had a valuation allowance of $324.7 million (2013: $282.4 million) to reduce its deferred tax assets to estimated realizable value. These valuation allowances related primarily to operating loss, capital loss and tax-credit carry-forwards in Ireland (2014: $75.2 million; 2013: $78.8 million); the US (2014: $77.5 million; 2013: $60.9 million); Germany (2014: $27.5 million; 2013: $30.8 million); and other foreign tax jurisdictions (2014: $144.5 million; 2013: $111.9 million).

Management is required to exercise judgment in determining whether deferred tax assets will more likely than not be realized. A valuation allowance is established where there is an expectation that on the balance of probabilities management considers it is more likely than not that the relevant deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs all available positive and negative evidence including cumulative losses in recent years, projection of future taxable income, carry-forward and carry-back potential under relevant tax law, expiration period of tax attributes, taxable temporary differences, and prudent and feasible tax planning strategies.

28. Taxation (continued)

The net increase in valuation allowances of $42.3 million is principally due to increases of losses and other temporary differences in European jurisdictions where management consider that there is insufficient positive evidence in respect of the factors described above to overcome cumulative losses and therefore it is more likely than not that the relevant deferred tax assets will not be realized in full.

At December 31, 2014, based upon a consideration of the factors described above, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if these factors are revised in the future periods.

The approximate tax effect of NOLs, capital losses and tax credit carry-forwards as at December 31, are as follows:

	2014 $'M	2013 $'M
US federal tax	**38.7**	32.2
US state tax	**82.8**	61.5
UK	**4.0**	6.7
Republic of Ireland	**75.2**	78.8
Foreign tax jurisdictions	**347.8**	273.1
R&D and other tax credits	**137.8**	48.3

The approximate gross value of NOLs and capital losses at December 31, 2014 is $3,313.0 million (2013: $2,583.7 million). The tax-effected NOLs, capital losses and tax credit carry-forwards shown above have the following expiration dates:

	December 31, 2014 $'M
Within 1 year	**1.0**
Within 1 to 2 years	**0.8**
Within 2 to 3 years	**3.4**
Within 3 to 4 years	**10.3**
Within 4 to 5 years	**42.1**
Within 5 to 6 years	**20.1**
After 6 years	**244.0**
Indefinitely	**364.6**

The Company does not provide for deferred taxes on the excess of the financial reporting over the tax basis in investments in foreign subsidiaries that are essentially permanent in duration. At December 31, 2014, that excess totalled approximately $8.1 billion. The determination of additional deferred taxes is not practicable and is not provided.

29. Related parties

Shire considers that ArmaGen is a related party by virtue of a combination of Shire's 18% equity stake in ArmaGen and the worldwide licensing and collaboration agreement between the two parties to develop and commercialize AGT-182 (see Note 19 for details). In the year to December 31, 2014, Shire paid $15 million in cash to ArmaGen in exchange for an equity stake in ArmaGen and the license to develop and commercialize AGT-182. In addition, Shire's share of R&D costs under the collaboration arrangement during 2014 was $1.7 million, recorded within R&D expense in the consolidated income statement, of which $1.0 million was accrued as at December 31, 2014.

30. Share-based compensation plans

The following table shows the total share-based compensation expense (see below for types of share-based awards) included in the consolidated statements of income:

	2014 $'M	2013 $'M	2012 $'M
Cost of product sales	**8.5**	4.4	6.3
Research and development	**22.2**	22.8	25.8
Selling, general and administrative	**35.9**	46.9	55.0
Reorganization costs	**30.4**	3.3	–
Total	**97.0**	77.4	87.1
Less tax	**(23.8)**	(18.1)	(23.8)
	73.2	59.3	63.3

30. Share-based compensation plans (continued)

There were no capitalized share-based compensation costs at December 31, 2014 and 2013.

At December 31, 2014, $83.1 million (2013: $97.0 million, 2012: $102.3 million) of total unrecognized compensation cost relating to non-vested awards is expected to be recognized over a period of three years.

At December 31, 2014, $71.2 million (2013: $90.3 million, 2012: $74.6 million) of total unrecognized compensation cost relating to non-vested in-the-money awards (based on the average share price during the year) is expected to be recognized over a weighted average period of 1.9 years (2013: 1.7 years, 2012: 1.7 years).

On May 2, 2013, the Company initiated the reorganization of its business to integrate the three divisions into a simplified One Shire organization (see Note 6 for details). As a result of this reorganization the Company modified the terms of certain of its equity awards to employees and Directors impacted by the One Shire reorganization. Included in the stock compensation expense for the year to December 31, 2014, is $30.4 million (2013: $3.3 million, 2012: $nil) of incremental stock compensation costs related to the modification of awards granted to those individuals impacted by the One Shire reorganization.

Share-based compensation plans

The Company grants stock-settled share appreciation rights ("SARs") and performance share awards over Ordinary Shares and ADSs to Executive Directors and employees under the Shire Portfolio Share Plan (Parts A and B). The SARs and PSAs granted under the Shire Portfolio Share Plan (Part A & B) to Executive Directors are exercisable subject to performance and service criteria.

The principal terms and conditions of SARs and PSAs are as follows: (i) the contractual life of SARs is seven years, (ii) the vesting period of SARs and PSAs granted to employees below the level of Executive Vice President allows for graded vesting, and (iii) awards granted to Executive Directors contain performance conditions based on growth in adjusted return on invested capital ("Adjusted ROIC") and Non-GAAP earnings before interest, taxation, depreciation and amortization ("Non-GAAP EBITDA").

The Company also operates an Employee Share Purchase Plan and a Sharesave Scheme.

The following awards were outstanding as at December 31, 2014:

	Compensation type	Number of awards	Expiration period from date of issue	Vesting period
Portfolio Share Plan – Part A	SARs	7,516,060	5 to 7 years	3 years cliff or graded vesting, subject to market or performance criteria for Executive Directors only
Sharesave Scheme	Stock options	108,479	6 months after vesting	3 or 5 years
Stock Purchase Plan	Stock options	120,977	On vesting date	1 to 5 years
Legacy Plans	Stock options	11,000	7 to 10 years	3 to 10 years, subject to market or performance criteria
Stock-settled SARs and stock options		**7,756,516**		
Portfolio Share Plan – Part B	Performance share awards	2,166,181	3 years	3 years cliff or graded vesting, subject to market or performance criteria for Executive Directors only
Performance share awards		**2,166,181**		

* Number of awards are stated in terms of ordinary share equivalents.

30. Share-based compensation plans (continued)

Stock-settled SARs and stock options

(a) Portfolio Share Plan – Part A

Stock-settled share appreciation rights granted under the Portfolio Share Plan – Part A are exercisable subject to performance and service criteria.

In respect of any award made to Executive Directors, performance criteria are based on Non-GAAP EBITDA and Adjusted ROIC targets. These performance measures provide increased alignment to the core activities and strategy of the Company.

Awards granted to employees below Executive Director level are not subject to performance conditions and are only subject to service conditions.

Once awards have vested, participants will have until the seventh anniversary of the date of grant to exercise their awards.

(b) Shire Sharesave Scheme ("Sharesave Scheme")

Options granted under the Sharesave Scheme are granted with an exercise price equal to 80% and 75% of the mid-market price on the day before invitations are issued to UK and Ireland employees, respectively. Employees may enter into three or five year savings contracts. No performance conditions apply.

(c) Shire Employee Stock Purchase Plan ("Stock Purchase Plan")

Under the Stock Purchase Plan, options are granted with an exercise price equal to 85% of the fair market value of a share on the enrolment date (the first day of the offering period) or the exercise date (the last day of the offering period), whichever is the lower. Employees agree to save for a period up to 12 months. No performance conditions apply.

(d) Legacy plans – principally the Shire 2000 Executive Share Option Scheme

Options granted under this scheme were subject to certain performance criteria, which were based on the Company's share price or diluted EPS growth compared to a fixed growth rate. At December 31, 2014 all stock options outstanding under this scheme had met the required conditions and were exercisable.

A summary of the status of the Company's SARs and stock options as at December 31, 2014 and of the related transactions during the period then ended is presented below:

Year to December 31, 2014	Weighted average exercise price £	Number of shares*	Intrinsic value £'M
Outstanding as at beginning of period	**18.88**	15,029,182	
Granted	**35.38**	1,762,767	
Exercised	**36.77**	(7,393,055)	
Forfeited	**23.15**	(1,642,378)	
Outstanding as at end of period	**33.27**	7,756,516	93.5
Exercisable as at end of period	**25.51**	1,940,522	38.5

* Number of awards are stated in terms of ordinary share equivalents.

The weighted average grant date fair value of SARs and stock options granted in the year ended December 31, 2014 was £6.19 (2013: £3.37, 2012: £4.35).

SARs and stock options outstanding as at December 31, 2014 have the following characteristics:

Number of awards outstanding*	Exercise prices £	Weighted average remaining contractual term (Years)	Weighted average exercise price of awards outstanding £	Number of awards exercisable	Weighted average exercise price of awards exercisable £
182,252	**3.38-14.00**	**2.1**	**13.56**	**180,754**	**13.21**
5,851,309	**14.01-28.00**	**4.6**	**20.14**	**1,723,401**	**19.02**
1,722,955	**28.01-53.87**	**5.4**	**30.60**	**36,367**	**33.31**
7,756,516				**1,940,522**	

* Number of awards are stated in terms of ordinary share equivalents.

30. Share-based compensation plans (continued)

Performance shares

Portfolio Share Plan – Part B

Performance share awards granted to Executive Directors under the Portfolio Share Plan – Part B are exercisable subject to certain market, performance and service criteria.

In respect of any award granted to Executive Directors, the performance criteria are based on Non-GAAP EBITDA and Adjusted ROIC targets.

Awards granted to employees below Executive Director level are not subject to performance conditions and are only subject to service conditions.

A summary of the status of the Company's performance share awards as at December 31, 2014 and of the related transactions during the period then ended is presented below:

Performance share awards	Number of shares*	Aggregate intrinsic value £'M	Weighted average remaining life
Outstanding as at beginning of period	**2,701,299**		
Granted	**1,260,282**		
Exercised	**(1,324,169)**		
Forfeited	**(471,231)**		
Outstanding as at end of period	**2,166,181**	98.2	5.5
Exercisable as at end of period	**–**	N/A	N/A

* Number of awards are stated in terms of ordinary share equivalents.

The weighted average grant date fair value of performance share awards granted in the year to December 31, 2014 is £35.11 (2013:£19.71, 2012: £21.56).

Exercises of employee share-based awards

The total intrinsic values of share-based awards exercised for the years to December 31, 2014, 2013 and 2012 were $200.8 million, $298.3 million and $224.1 million, respectively. The total cash received from employees as a result of employee share option exercises for the period to December 31, 2014, 2013 and 2012 was approximately $17.4 million, $17.2 million and $16.2 million, respectively. In connection with these exercises, the tax benefit credited to additional paid-in capital for the years to December 31, 2014, 2013 and 2012 was $39.6 million, $11.9 million and $40.1 million respectively.

The Company will settle future employee share award exercises with either newly listed common shares or with shares held in the EBT. The number of shares to be purchased by the EBT during 2014 will be dependent on the number of employee share awards granted and exercised during the year and Shire plc's share price. At December 31, 2014 the EBT held 0.7 million Ordinary Shares and 0.3 million ADSs.

30. Share-based compensation plans (continued)

Valuation methodologies

The Company estimates the fair value of its share-based awards using a Black-Scholes valuation model. Key input assumptions used to estimate the fair value of share-based awards include the grant price of the award, the expected stock-based award term, volatility of the Company's share price, the risk-free rate and the Company's dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in estimating the fair values of Shire's stock-based awards. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company under guidance issued by the FASB on share-based payment transactions.

The fair value of share awards granted was estimated using the following assumptions:

Period ended December 31,	2014	2013	2012
Risk-free interest rate[1]	**0.3-1.8%**	0.1-0.9%	0.2-1%
Expected dividend yield	**0.2-0.4%**	0.4-0.6%	0-0.6%
Expected life	**1-4 years**	1-4 years	1-4 years
Volatility	**23-27%**	23-26%	24-32%
Forfeiture rate	**5-7%**	5-9%	5-7%

[1] Risk free interest rate is for UK and US grants

The following assumptions were used to value share-based awards:

- risk-free interest rate – for awards granted over ADSs, the US Federal Reserve treasury constant maturities rate with a term consistent with the expected life of the award is used. For awards granted over Ordinary Shares, the yield on UK government bonds with a term consistent with the expected life of the award is used;
- expected dividend yield – measured as the average annualized dividend estimated to be paid by the Company over the expected life of the award as a percentage of the share price at the grant date;
- expected life – estimated based on the contractual term of the awards and the effects of employees' expected exercise and post-vesting employment termination behaviour;
- expected volatility – measured using historical daily price changes of the Company's share price over the respective expected life of the share-based awards at the date of the award; and
- the forfeiture rate is estimated using historical trends of the number of awards forfeited prior to vesting.

31. Auditor remuneration

The Audit, Compliance & Risk Committee reviews the scope and results of the audit and non-audit services, including tax advisory and compliance services, provided by the Company's Independent Registered Public Accountants, Deloitte LLP, and the cost effectiveness and the independence and objectivity of the Registered Public Accountants. In recognition of the importance of maintaining the independence of Deloitte LLP, a process for pre-approval has been in place since July 1, 2002 and has continued through to the end of the period covered by this Annual Report.

The following table provides an analysis of the amount paid to the Company's Independent Registered Public Accountants, Deloitte LLP, all fees having been pre-approved by the Audit, Compliance & Risk Committee.

Year to December 31,	2014 $'M	2013 $'M
Audit fees[1]	**4.0**	4.0
Audit related fees[2]	**0.2**	–
Tax fees[3]	**–**	0.2
All other fees[4]	**4.4**	0.4
Total fees	**8.6**	4.6

[1] Audit fees consisted of audit work only the Independent Registered Public Accountant can reasonably be expected to perform, such as statutory audits.
[2] Audit-related fees consist of work generally only the Independent Registered Public Accountant can reasonably be expected to perform, such as procedures relating to regulatory filings.
[3] Tax fees consisted principally of assistance with matters related to compliance and advice in various tax jurisdictions.
[4] In the year to December 31, 2014. All other fees includes reporting accountant fees of $4.0m and HR system implementation support fees of $0.4m. Shire engaged Deloitte to perform reporting accountant services in connection with AbbVie's terminated offer for Shire. In the year to December 31 2013. All other fees related to advisory services provided to the Company's Human Resources and Sales functions.

32. Principal subsidiaries

Subsidiary/undertaking	Jurisdiction of incorporation
Advanced BioHealing Corp	United States
Auralis Limited	United Kingdom
Bikam Pharmaceuticals, Inc.	United States
DuoCort Pharma AB	Sweden
Farboud Pty Ltd	Australia
FerroKin BioSciences, Inc.	United States
Fibrotech Therapeutics Pty Ltd	Australia
Jerini Ophthalmic Holding GmbH	Germany
Jerini Ophthalmic, Inc	United States
JPT Peptide Technologies Inc	United States
Lotus Tissue Repair Inc	United States
Lumena Pharma UK Limited	United Kingdom
Lumena Pharmaceuticals LLC	United States
Monmouth Pharmaceuticals Limited	United Kingdom
Movetis GmbH	Germany
Movetis Limited	United Kingdom
Pharma International Insurance Limited	Ireland
Premacure AB	Sweden and Luxembourg
Premacure Uppsala AB	Sweden
Rybar Laboratories Limited	United Kingdom
SARcode Bioscience Inc.	United States
SHGT Executive Services Inc.	United States
Shire (Shanghai) Pharmaceuticals Consultancy Co., Ltd.	China
Shire 2005 Investments Limited	Cayman Islands
Shire Acquisitions UK Limited	United Kingdom
Shire Australia Pty Limited	Australia
Shire Belgium BVBA	Belgium
Shire Biopharmaceuticals Holdings	United Kingdom
Shire Biopharmaceuticals Holdings Ireland Limited	Jersey
Shire Biopharmaceuticals Ireland Limited	Ireland
Shire Brandywine LLC	United States
Shire Pharma Canada ULC	Canada
Shire Central & Eastern Europe GmbH	Germany
Shire Colombia S.A.S	Colombia
Shire Czech S.R.O.	Czech Republic
Shire Denmark ApS	Denmark
Shire Deutschland GmbH	Germany
Shire Deutschland Investments GmbH	Germany
Shire Development LLC	United States
Shire Europe Finance	United Kingdom
Shire Europe Limited	United Kingdom
Shire Executive Services LLC	United States
Shire Farmacêutica Brasil LTDA	Brazil
Shire Finance Limited	Cayman Islands
Shire Finland Oy	Finland
Shire France S.A.	France
Shire Global Finance	United Kingdom
Shire Hellas Pharmaceuticals Import Export and Marketing S.A.	Greece

32. Principal subsidiaries (continued)

Subsidiary/undertaking	Jurisdiction of incorporation
Shire Holdings Europe B.V.	Netherlands
Shire Holdings Europe Limited	United Kingdom
Shire Holdings Europe No.2 S.a.r.l.	Luxembourg
Shire Holdings Ireland	Ireland
Shire Holdings Ireland No.2 Limited	Ireland
Shire Holdings Limited	Bermuda
Shire Holdings Luxembourg S.a.r.l.	Luxembourg
Shire Holdings UK Canada Limited	United Kingdom
Shire Holdings UK Limited	United Kingdom
Shire Holdings US AG	United States
Shire Human Genetic Therapies (Canada) Inc.	Canada
Shire Human Genetic Therapies AB	Sweden
Shire Human Genetic Therapies Limited	United Kingdom
Shire Human Genetic Therapies S.A.	Argentina
Shire Human Genetic Therapies Securities Corporation	United States
Shire Human Genetic Therapies UK Limited	United Kingdom
Shire Human Genetic Therapies, Inc	United States
SHIRE ILAC TICARET LIMITED SIRKETI/Shire Pharmaceuticals Trading Limited Company	Turkey
Shire Incorporated	United States
Shire Intellectual Property 2 SRL	Barbados
Shire Intellectual Property Ireland Limited	Ireland
Shire Intellectual Property SRL	Barbados
Shire International GmbH	Switzerland
Shire International Licensing BV	Netherlands
Shire International Licensing VOF	Netherlands
Shire Investments & Finance (U.K.) Company	United Kingdom
Shire IP Services Corporation	Canada
Shire Ireland Finance Limited	Ireland
Shire Ireland Investment Limited	Ireland
Shire Ireland Premacure Investment	Ireland
Shire Italia S.p.A.	Italy
Shire Japan KK	Japan
Shire Jersey Limited	Jersey
Shire LLC	United States
Shire Luxembourg Finance S.a.r.l.	Luxembourg
Shire Luxembourg Intellectual Property No.2 S.a r.l.	Luxembourg
Shire Luxembourg Intellectual Property No.3 S.a.r.l.	Luxembourg
Shire Luxembourg Intellectual Property S.a.r.l.	Luxembourg
Shire Luxembourg S.a.r.l.	Luxembourg
Shire North American Group Inc.	United States
Shire Norway AS	Norway
Shire Orphan and Rare Diseases GmbH	Switzerland
Shire Orphan Therapies GmbH	Germany
Shire Orphan Therapies, Inc.	United States
Shire Pharma Korea Yuhan Hoesa	Korea, Republic of
Shire Pharmaceutical Contracts Limited	United Kingdom
Shire Pharmaceutical Development Inc	United States
Shire Pharmaceutical Development Limited	United Kingdom
Shire Pharmaceutical Holdings Ireland Limited	Ireland

32. Principal subsidiaries (continued)

Subsidiary/undertaking	Jurisdiction of incorporation
Shire Pharmaceutical Investment Trading Ireland	Ireland
Shire Pharmaceutical Investments 2008	Ireland
Shire Pharmaceuticals Group	United Kingdom
Shire Pharmaceuticals Iberica S.L.	Spain
Shire Pharmaceuticals International	Ireland
Shire Pharmaceuticals Investments (British Virgin Islands) Limited	Virgin Islands, British
Shire Pharmaceuticals Investments 2007	Ireland
Shire Pharmaceuticals Ireland Limited	Ireland
Shire Pharmaceuticals Limited	United Kingdom
Shire Pharmaceuticals LLC	United States
Shire Pharmaceuticals Mexico SA de CV	Mexico
Shire Pharmaceuticals Portugal, Lda	Portugal
Shire Pharmaceuticals Services Limited	United Kingdom
Shire Polska Sp. z o. o.	Poland
Shire Properties US	United States
Shire Regenerative Medicine LLC	United States
Shire Regulatory Inc	United States
Shire Rus Limited Liability Company	Russian Federation
Shire Singapore Pte. Ltd.	Singapore
Shire Supplies U.S. LLC	United States
Shire Sweden AB	Sweden
Shire Sweden Holdings S.a.r.l	Luxembourg
Shire UK Investments Limited	United Kingdom
Shire US Holdings LLC	United States
Shire US Inc	United States
Shire US Investment Inc	United States
Shire US Investments	United Kingdom
Shire US Manufacturing Inc	United States
Shire ViroPharma Incorporated	United States
Shire-Movetis NV	Belgium
Sparkleflame Limited	United Kingdom
Tanaud International BV	Netherlands
Tanaud Ireland Inc.	Ireland
The Endocrine Centre Limited	United Kingdom
VCO Incorporated	United States
ViroPharma AB	Sweden
ViroPharma Biologics Inc	United States
ViroPharma Canada Incorporated	Canada
ViroPharma GmbH	Germany
ViroPharma Holdings Limited	Bermuda
ViroPharma Holdings LLC	United States
ViroPharma Limited	United Kingdom
ViroPharma LLC	Switzerland
ViroPharma Pty Ltd	Australia
ViroPharma Puerto Rico Inc	Puerto Rico
ViroPharma S.r.l	Italy
ViroPharma SAS	France
ViroPharma Spain SL	Spain
ViroPharma SPRL	Belgium
ViroPharma Sweden AB	Sweden
VPDE Incorporated	United States
VPINT Incorporated	United States
VPMP Incorporated	United States

All subsidiary undertakings of Shire plc are beneficially owned (directly or indirectly) as to 100% and are all consolidated in the consolidated financial statements of Shire plc.